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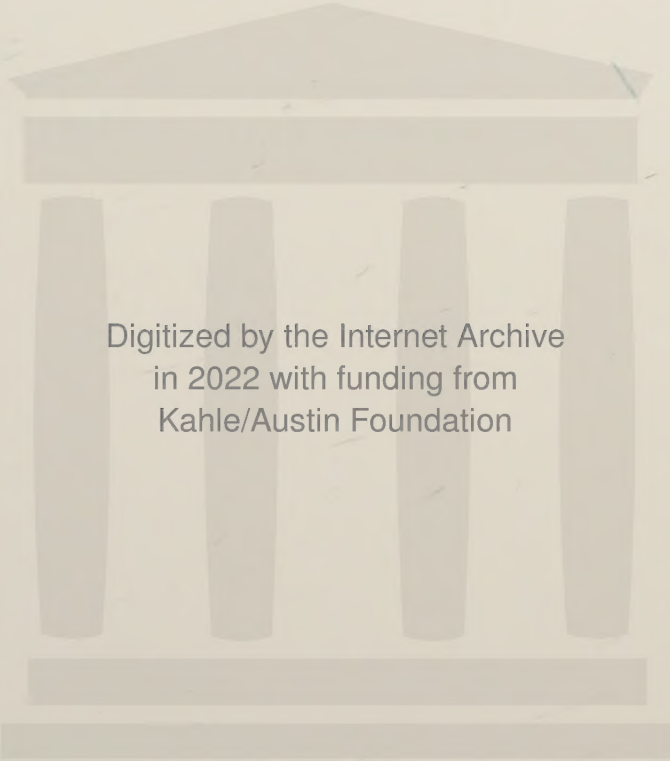
Heinrich Pesch on Solidarist Economics

Excerpts from the *Lehrbuch
der Nationalökonomie*

TRANSLATED BY
RUPERT J. EDERER

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**Excerpts from the
*Lehrbuch der Nationalökonomie***

**translated by
Rupert J. Ederer**

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This Work is Dedicated to the Memory of
Professor Franz H. Mueller.

As a student he knew Heinrich Pesch personally, and he ranks foremost
among persons who made Pesch and Solidarist Economics known in
the United States.

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Preface

This book contains selections from what is the longest, most comprehensive economics textbook ever written — the five-volume *Lehrbuch der Nationalökonomie*. Its author, Heinrich Pesch, S. J., born September 17, 1854 in Cologne, Germany, died in Valkenburg, Holland on April 1, 1926. Schooled first in law, then in philosophy and theology, the learned Jesuit turned to the formal study of economics later in life, at the age of 47 in Berlin, although he had developed a keen interest and attended lectures on the subject previously. It was during his formative years as a theology student in the industrial heart of England that he also saw firsthand the problems which economic liberalism with its rugged, individualistic approach to economic life had caused for the English working class. In a sense, therefore, he was educated in the same “school” that Karl Marx attended when he wrote *Das Kapital* some years earlier. It was the workers' plight which first led to Pesch's resolve to dedicate his life to an evaluation and resolution of their problem. Pesch, like Marx, was also a product of German Universities. His philosophical orientation, however, was very different, and so, accordingly, was his solution. But like Marx's solution, it was also nevertheless radical. Referring to the principles underlying solidarism, Pesch wrote: “It would be unfortunate if we were now to turn our backs on these basic principles, and to waste our time trying to bolster up and preserve capitalism which is rotten to the core, by making some repairs to its structure, quite aside from the fact that such a venture would be doomed from the start.” (Vol. II, 132-133).

The social philosophy underlying Pesch's economics was presented first in his two-volume work, *Liberalismus, Sozialismus, und christliche Gesellschaftsordnung*, published in 1901. It was written while he was assigned to Mainz, where the great pioneer of Catholic social teaching, Bishop Wilhelm Emmanuel von Ketteler, had been active and had also published a work 30 years earlier with a quite similar title: *Liberalismus, Sozialismus und Christenthum*. Clearly, certain churchmen were aware of the conflict between the two alternative social systems then competing for people's allegiance — an awareness and concern that was first officially manifested in 1891 by Pope Leo XIII's encyclical, *Rerum Novarum*. Ketteler preceded the Pope, who subsequently drew on his writings, as Leo XIII himself acknowledged. Pesch followed Leo XIII; but he, in turn, inspired what was to be the follow-up social encyclical by Pope Pius XI 40 years later, *Quadragesimo Anno* (1931). Pivotal principles set forth in *Quadragesimo Anno* — specifically, the idea of corporate bodies composed of all who worked at the same occupations and designed to help regulate economic life, the principle of subsidiarity employed to determine the role of the state in economic activity, and the subordination of men's economic actions (in pricing and wages, for example) to the social virtues of justice and charity — were all developed previously in Pesch's *Lehrbuch*. And his ideas on the centrality of the working human person in economic life, as well as the principle of solidarity, are also clearly evident in the social encyclicals of Pope John Paul II. Roman Catholic popes are not in a position to devise new economic or social systems; Pesch, as a trained economist, however, was, and that is precisely what he sought to accomplish by his work. On the basis of his social philosophy termed *solidarism*, he went on to develop an economic system called the *solidaristic* or *social system of human work*. It was designed to alleviate what the Jesuit scholar saw as the devastating effects of economic liberalism in the capitalistic order, and to avert the preposterous alternative suggested by Marx and his followers. Sometimes referred to as a “third way” since it steers between the excesses and flaws in two alternative systems, the solidarist system nevertheless stands on its own principles and offers a separate and distinct approach to organizing an economic system. That places Pesch among a very small and select number of economists like Adam Smith, Karl Marx, and John M. Keynes who, in addition to their

economic analysis, may also be regarded as having actually outlined economic systems. It is for this reason that the translator seeks to make the work of Heinrich Pesch known in the English-speaking world, now that history appears to have judged the systems inspired by those other economic architects to be disastrous.

The works of Smith and Keynes, first published in English, have appeared in translation in all other world languages. The works of Karl Marx were written in German, but they have long since been translated into English and other major languages. Since the translator regards Pesch's *Lehrbuch* as being overall the best general economics text ever written, he hopes eventually to publish the nearly 4000 page work in English in its entirety.

There are scholars who feel that, since the *Lehrbuch* is in fact a textbook, it contains rudimentary materials which are by now the common property of most economics textbooks. Also, some material is dated and directed to specific problems in Germany during the period when it was written (1905-1926), so that it may be only of historical interest to contemporary readers. The same, however, may be said of Adam Smith's *Wealth of Nations* in which there is much reference to problems faced by Great Britain during the late 18th century. Likewise, Marx's *Kapital* pointed toward a system that is right now fading into history. Moreover, in economics as elsewhere the old saying applies to some degree that the more things change, the more they remain the same. The fact is that throughout Pesch's *Lehrbuch*, even in some explicatory footnotes, there are significant insights which are of perennial relevance. Therefore, going through the many pages is, in a certain sense, like venturing through an old, well-worked gold mine which is not yet entirely depleted of its precious ore, so that rich veins and deposits still appear, often in unlikely contexts. Thus, although the average reader is not about to invest in a lengthy five-volume work by an obscure German scholar who wrote during the early 20th century, his complete work, in the translator's opinion, should nevertheless be available to students at university and other libraries.

In the meantime, publication of these selections is intended to serve interested readers at a time when they are witnessing the travail of existing economic systems, and wondering whether anyone can come up with a possible alternative as yet untried. Heinrich Pesch did; and given the demise of intrinsically fallacious socialism and the failure of capitalism because of its inherently flawed liberal social philosophy,

solidarism and the system of human work that is based on it would seem finally to merit some serious attention.

Thanks are owed to those few persons who knew of Pesch and cherished the work of this relatively unknown scholar and kept an awareness of it alive in the United States. They include Franz H. Mueller, Professor Emeritus of St. Thomas College in Minnesota. As a young student in Germany, Professor Mueller (d. 1994) knew Pesch personally. For many years he encouraged my publication of an anthology of Pesch's work, while providing me with valuable insights into Pesch's own thinking and into certain nuances of the German language as applied to economics. The late Bernard W. Dempsey, S. J. (1903-60), my mentor at St. Louis University many years ago, maintained a lively interest in Pesch's work, and he sought unsuccessfully to have it translated into English *in toto*. His interest stimulated my own venture into this long and arduous task. Another American Jesuit scholar, Richard Mulcahy of the University of San Francisco, published a book in 1952 — *The Economics of Heinrich Pesch* — providing a brief synopsis of what is contained in the *Lehrbuch*, along with an extensive and valuable bibliography. It was, however, an unpretentious 1944 article by Joseph B. Schuyler, S. J., who labored for many years as a missionary-teacher in Lagos, Nigeria, entitled "Pesch and Christian Solidarism," that first made me aware of Pesch's work. It is to these persons, in particular, that I must and do therefore extend my sincere expressions of gratitude.

The first difficulty — a most rudimentary one — encountered in attempting this translation is attempting to render the title of the *Lehrbuch der Nationalökonomie* in acceptable, unawkward English. A *Lehrbuch*, quite literally, is a textbook, or more specifically, a teaching guide. Also, it is not customary in the English language, as it is in some others, to speak of "national economy" or "national economics." In English-speaking countries, economics is presumed to deal with national economies, formerly often referred to as "political economies." In German, economics is usually designated as *Volkswirtschaftslehre* which also connotes the *nation*. Having explained the difficulty involved, I shall henceforth take a translator's liberty, and refer to the great work as simply the *Lehrbuch*. Anyone in need of an actual translation which carries the full meaning of what the author intended would risk little by rendering the title as: *A Study Guide to Solidarist Economics*.

Used for translation are the latest editions of the *Lehrbuch*: Volume I (1924), Volume II (1925), Volume III (1926) Volume IV (1922) and Volume V (1923). This collection of excerpts includes selections from Volumes I, II, III and V.

Responsibility for the selection of what is presented — a difficult process — is mine. While accepting full responsibility for whatever shortcomings there may be in the English translation from the original German, I must express thanks to my son, Dr. Martin F. Ederer, for his many editorial suggestions and corrections.

Rupert J. Ederer
June 17, 1998

Excerpt 1

NATURE AND MAN

Translator's Commentary. The first chapter - Nature and Man - in four parts sets the tone for the entire *Lehrbuch*. I know of no other economics text which begins on a biblical basis (Genesis) presenting man as lord of the world according to God's ordinance. Early on, Pesch established the fact that while economics is a legitimate, autonomous science, it nevertheless relies for some of its principles on other sciences. Some of these have to do with man's relationship to his Creator, to the world of nature, and to his position as a social being belonging to societies at various levels. Obviously, there are underlying theological and philosophical premises - theism and Aristotelian-Thomistic ones - as are present also in the works of other economic system-builders: deism and naturalism in Adam Smith; atheism, and dialectical materialism in Marx; secularistic humanism and pragmatism in Keynes. However, even without relying on a biblical foundation to establish man's supremacy in the economic order, the natural superiority which man enjoys over the plant and animal world makes this clear.

Pesch begins by establishing the centrality of man in the economic order. This theme is a hallmark of solidaristic economics. Man, the working human person, is the leading economic cause of the wealth of nations (*causa efficiens principalis*). The primacy of work (labor in traditional economics) is so obvious by the very nature of things, that Smith and Marx had to arrive at the same conclusion, with radically different outcomes due to serious inconsistencies in their analysis. For Pesch, human work, i.e., the working human person, was always consistently at the center of this system. However, the worker was

never reduced to a mere means or instrument of production, but he remained always as the subject of and the end for which all economic activity takes place.

Nature (presented narrowly as land in traditional economics), is the other original factor of production. It is the God-given instrumental cause (*causa efficiens instrumentalis*) by which and on which man works to satisfy his temporal wants. While always remaining ultimately God's possession, nature stands in the service of mankind.

The third primary factor of production in traditional economics, capital, is already non-original, as it is man-produced from a combination of human work and nature. Significantly, it does not show up in Pesch's first volume at all, appearing for the first time in the third volume, and it is treated exhaustively in the fourth. Capital in one form or another was always used by man - a tool-making rational creature. However its dominant position in the economy and in society - hence capitalism - is historically conditioned, coming with the start of the modern era.

The Robinson Crusoe kind of economic activity is, after all, fictional. Man is social by nature, so that people produce things with the help of other human beings. They do this by combining their energies and resources, and also by division of labor, meaning specialized concentration on certain tasks while implicitly relying on others to do the same. Production in that context normally increases the proficiency of all. However, it also introduces mutual dependency which leads inevitably to exchange, and thence to the need to distribute the proceeds of production among all who contributed their work, natural resources, or capital to the productive process.

It is at this point that Pesch first introduced the central principle of his economic system, solidarity. Solidarity is implicit throughout: in production as well as in exchange, while equity and efficacy call for it also in the income distribution process

NATURE AND MAN

Not all of the truths and concepts which are necessary for the study of economics are to be found in that science itself. Many ideas are already current in everyday life, even before scientific reflection comes to grips

with them and provides them with sharper definition through careful analysis. Many a truth which the economist must accept as a guiding principle has its origin in the domain of other sciences, where it is formulated, tested, and established.

Such truths, already prerequisite to the study of economics even though they may be developed further by their application to the area of economics, include in particular certain principles dealing with:

- a) man's relationship to his natural environment,
- b) man's relationship to the world of goods,
- c) man's relationship to the rest of society.

§1 MAN AS LORD OF THE WORLD ACCORDING TO GOD'S ORDINANCE

1. The Fact of Man's Dominion Over the World of Nature and the Basis for it. The fact that man has dominion over the world is undeniable. It is reaffirmed constantly throughout the course of history whenever progress is achieved in the area of material culture.

The basis for that dominion, however, is to be found in the will of God, who assigned it to the father of the human race by virtue of the fact that he bestowed a rational nature on man, elevating him to a status essentially higher than that enjoyed by the world of matter and plants and animals. Without this exaltation, man's conquest of his environment would lack any satisfactory explanation as to how it began and how it persists, as well as any practical significance.

From this fact we are able to derive two important conclusions:

a) the basis for man's dominion is unchangeable; the particular structure which it assumes is changeable.

Human nature is not the product of history, but of creation. Insofar as its essential, intrinsic, physical and metaphysical elements are concerned, it is immune from all historical changes. Man is always and everywhere composed of a body and a soul, as he is always and everywhere a physical-rational being. But the potential and the qualities which are contained in his nature are like seeds capable of and in need of development for the sake of both the individual, and the human race. In the manner in which they develop and fulfill themselves, they are influenced by extrinsic conditions and circumstances which vary. Specifically, the actual affirmation and determination and development

of the concrete configuration of man's dominion over the material world takes place in a protracted process, and often by slow, painful progress moving all of the way from bare survival to the more highly developed contexts where materials and energies are forcefully harnessed.

b) Rational nature is the common property of all of mankind. That is why all persons alike are called to participate in one way or another in enforcing man's dominion over the natural environment. By the same token, all must be enabled to share in the fruits of this dominion which is in fact based on man's rational nature. The intensive and extensive increase in that participation, along with the expansion of man's dominion over nature represent indicators of a progressing culture.

2. The Purpose and Norm of that Dominion. Without the assistance provided by our natural environment, man would be deprived of the prerequisite and the material foundation for any higher cultural endeavor; and, in fact, even his mere physical existence and survival would be impossible. The preservation and development of life, the development of physical and intellectual capacities occurs with the help of the things which are roundabout us. The world is our domicile, our garden, our work place. It serves the intellect as the object of its investigation, and it leads us to the knowledge and love of the Creator. From it we can and ought to fulfill our lives and our potential, and derive those objects which we need for our livelihood. Therefore, if the deeper and ideal basis for man's dominion over the world is to be found in his being made in the image of God, who is the ultimate and highest purpose of his supernatural destiny, that same dominion nevertheless has a very real and more proximate basis and purpose manifesting itself in the natural conditions of our bodily and intellectual existence here on this earth.

We are saying that man is compelled by his nature and by the nature of his environment to subject the earth to his service in a purposeful and continuous manner, since it is only in this way that he can achieve the satisfaction of his wants and assure his being able to continue doing so on a continuing basis. (From Vol I, pp. 1-3)

§ 2. WORK AS THE MEANS TO EXERCISE DOMINION OVER THE WORLD

Man, who is ordained and empowered to be the lord over his

environment, accomplishes this dominion and makes use of it by his work.

1. The Concept and Nature of Work. Work is the systematic application and expenditure of human energy to produce or acquire a good or utility.

Work is a human and therefore a personal activity; it is the expenditure of human, i.e., intellectual and bodily energy, in the service of the human individual or social personality, intended to generate a utility or a good which can satisfy the wants and accomplish the purposes arising from the nature of the human person and the purposes of human life.

The capacity of the human being to work is ultimately a gift from God, a component of the natural endowment of the human personality; and in the way it is sustained and accomplished, it is a direct result and a part of man's vital energy. It would be a denial of these incontestable truths if we were to view man's capacity to work and his engagement in work on the same level as material things, and if we regarded the production resulting from man's working capacity on the same plane as the creation of material goods.

It is not only physical exertion which is included in the concept, work. Man's mind is also in operation in all areas of human endeavor; it is active wherever man functions as man, not only in the scholar's study, but equally in the workshop, the factory, and in the work of managers as well as of those who carry out their instructions.

Work involves an expenditure of energy, a personal exertion, which is associated with burden, sacrifice, and not seldom also with pain. Yet our needs force us to work and to undergo the burden and the fatigue, just as these also determine the way in which we direct our work. The amount of goods which a man will have at his disposal generally depends on the amount and kind of labor that he has applied. It is by these facts, and in all instances also due to man's dependence on the world around him for satisfying his wants, that hopes and efforts to reduce the pressure of work generally always find their limits, even though progress in one or the other direction may facilitate matters.

2. The Law of Work is as all-encompassing as the law of death. All persons must work, and work purposefully, until they return to the dust from which they came.

However, work is not only generally a matter of bitter necessity for man. It is also his honor and his joy. Even though it may require difficult sacrifices in terms of personal effort, nevertheless, among all of the various problems which may bear down on a man, work still exerts the least pressure. The greater interest a person has in his work, the more joy he will experience in his work, and conversely, taking pleasure in one's work increases the person's interest in it, as well as its effectiveness and results.

The law of work applies: a) generally to all human beings. If we consider work in the broadest sense, including all kinds of physically and morally possible, and mentally or bodily purposeful personal application of energy, it appears to be not only a human law which is incumbent on all humanity as such, but also a law obligating each individual to the extent that special circumstances like age, health, etc., do not limit or prevent one from engaging in strenuous activity. Now if we are dealing with physical labor which is directed toward satisfying wants for material things, it represents what is in fact a human law, but not one binding on each individual. Not every person has to take a shovel in hand, but he ought also not live off the labor of others without any attempt on his part to do something useful. Drones are the products of history, personal failings, or social developments, not of nature; and they are not a part of the order that is willed by God.

The law of work is: b) a permanent ongoing law. Wants keep recurring. Repeated and constant work is especially necessary to extract the resources of nature, and to replace goods that have been used up by others. Without continuing, exhaustive, and orderly work mankind cannot survive; the world of nature will not be brought to subjection; and development and progress will not take place, either for the individual, or for nations, or for the entire human race.

Natural necessity and moral obligation are associated and combine themselves in various ways when we are discussing the "law" of work. What ought-to-be is rooted in man's actual being. (From Vol. I, pp. 9-11)

§ 3. THE SERVICE PROVIDED BY OUR NATURAL ENVIRONMENT

If man is the lord of creation in accordance with God's will, it

nevertheless remains a fact, on the other hand, that:

1. The World Will Always Be God's Property. Nobody and nothing can alter that essential subordination to God, since it is based on the title of original creation and on the fact that God continues to sustain it. God would have to stop being God if he wanted to surrender what is his most exalted possession - his ultimate dominion over the world which he created. Herein lies the reason why man is never and nowhere the absolute lord, and also the reason why his dominion over this earth never and nowhere exists without its corresponding obligation. He cannot wheel and deal as he pleases with the world of creation. As God's vassal, he has to observe the destiny and the purposes which the earth, with all of its resources and various kinds of energy, is supposed to provide according to God's will; and in the production and consumption of material goods man must always and everywhere subject himself to the order which God has established for the world. Only then will the things which make up our environment become truly and actually *goods* for us, and have *value* for us. Now it is true that the misuse of created things can sometimes, or even frequently, satisfy our sensual appetites in some way. However, what satisfies exclusively the lower part of man's nature still does not represent a genuine *good*, for the whole man, who as a rational, moral being is responsible to the all-high God. (From Vol. I, pp.17-18)

§4. MAN AS LORD OF THE WORLD WITHIN THE FRAMEWORK OF SOCIETY

1. The Social Nature of Man. Man is dependent by nature on his fellow man in various ways. In order to achieve many essential and legitimate objectives in our lives we cannot dispense with continual human assistance. For us there is no such thing as absolute self-sufficiency. Isolated man would not only suffer a deficiency of potential, but he would not even be in a position to eke out a dignified livelihood. Thomas Aquinas pointed out that: "Nature provided animals with clothing, food, and weapons for their defense, namely their instincts; but for man, nature provided hands to work with, and intellect to think with, and society so that one person would help the other."¹

The ability to communicate by language, the natural disposition of benevolence, the recognition of common needs and interests all make it

clear that human nature demands more than simply many individuals existing side-by-side; it requires reciprocity, association, community, and sociable unity among individuals. This social nature is peculiar to the human species. Its development occupies a dominant position in the way the history of mankind unfolds.

If we are primarily preoccupied here with how that social unity comes to bear in the economic sphere, we do not therefore fail to take note that man's social nature and social activity is not confined to economic life. Intellectual and moral accomplishments, as in religion, art, and science, transcend by far the pedestrian considerations that have to do with making a living. Yet, the economic sphere does occupy an important position in human society; in fact we may be permitted to say that it represents the underlying basis and the indispensable prerequisite for all higher kinds of human activity by individuals in society.

However, among the means by which mutual fulfillment occurs in society, we have to consider, with regard to economic life, especially:

2. The Combination and the Division of Labor. By combining one's energies with those of others, much is achieved which could not be accomplished by an individual acting by himself. On the other hand, the division of labor enables each one to concentrate all of his energy on a particular and limited kind of activity - thus making it possible for him to become more proficient at what he is doing. That holds not only for occupational division of labor, but also for a more technical division of functions in the household, in the shop, in the factory, etc. (From Vol. I, pp. 29-30)

4. The Principle of Solidarity. When we speak of solidarity with regard to social life, we have in mind in a most general sense, first of all, social interdependence, the actual mutual dependence of people on one another. The exchange of goods and the assistance which people render to one another, and their continuous productive cooperation is conditioned by a special abundance of strength on the part of those who are destined to help one another. The welfare of one and the other therefore emerges not merely as a result of various complementary forces, but also as the prerequisite of a broader continuing beneficial cooperation, and therefore of the greater good of all.

This reciprocal dependence on the well-being of other persons in society is therefore no mere *de facto* relationship. Inasmuch as the

reciprocity and community of interests has its foundation in man's rational nature as one of its imperatives, *solidarity* also represents a moral relationship between man and his fellow man. Even if the downfall of one's fellow man were to one's advantage, one is not permitted to wish for this, let alone help to bring it about. Social intercourse is supposed to be a benefit and a blessing for mankind, not a curse and a source of its corruption. Thus, even though an individual may look after his own interests, he must at the same time have regard for the legitimate interests of others who, as human beings, have an equal claim to happiness, well-being, and the benefits to be derived from social living.

The philosopher, Tilmann Pesch, told us,²

Human society is not merely an aggregation of individuals who happen to find themselves thrown together and chance to know each other or rub elbows. First, each is his own person, but then each person is also placed within the organic bond of the community. No one lives merely as an individual person, without at the same time being a member of the whole race; and he is therefore required to have regard for others while at the same time being entitled to expect them to have regard for him.....Human life, of its nature, has its various objectives, which can only be achieved by the orderly cooperation of many....This natural law of community and reciprocity permeates all of the various spheres of life, the higher as well as the lower ones. Let no one say, therefore, I live by myself and for myself; the weal and woe of others does not concern me. Such an outlook would be unnatural; that is because the conduct of each individual naturally has an influence on others and on the community. And in a certain respect the community in turn carries the individual along with it. The honor and dishonor of the individual has a bearing on the community, and individuals share in the well-being of the whole community.

If the principle of solidarity is a valid norm of our conduct even for human society in its broadest dimensions and at every level and for every kind of human intercourse, then, as we shall see later, it has even

greater importance at the higher levels of society. And there, in turn, its importance grows along with the increasing complexity of social phenomena. (From Vol. I, pp. 33-34)

¹ *De Regimine Principum* 1.1,c.1. St Thomas is probably the author of this work or at least of a part of it. Others attribute it to a student of the holy teacher.

² *Christliche Lebensphilosophie* (1911) 16.

Excerpt 2

THE STATE

Translator's Commentary. In the third chapter of Volume I, Heinrich Pesch posits what he calls the three basic pillars of the social order: the family, the state, and private property. Since the economy is a part of the overall order of society, these institutions are essential to its well-being also, and he develops that at length. A major portion of Pesch's treatment of the state is presented here (Vol. I, pp. 176-193), because it establishes the rationale behind what has since come to be known as the *principle of subsidiarity*. The expression, *principle of subsidiarity*, as such, does not appear in Pesch's work, although its parameters are clearly outlined in his delineation of the state's role in economic life and beyond. However, we do find here the German word, *subsidiär*, when the author deals with the state's activity in caring for the poor. Beyond that, it is clear the the *principle of subsidiarity* stems from the moral natural law since we find it expressed by people so far apart in time and beliefs as Cicero, Abraham Lincoln, and E. F. Schumacher. What is more, it has become an integral part of modern Catholic social teachings, appearing first in a precise statement in the encyclical *Quadragesimo Anno* (Pius XI, 1931).

The segment on state socialism is included since it provides a corrective against the reckless use of the term, socialism. It has come to be used pejoratively by some for denouncing any and all kinds of state intervention in the economic life of the state. The notion, state socialism, in the strict sense, originated with the German scholar, Johann Karl Rodbertus (1805-1875).

1. The Reason for and Origin of the State. The innately social nature of man by no means exhausts itself in that original form of society which we call the family.

Suppose that two Europeans, hitherto completely unknown to each other, were to encounter each other in the Sahara Desert. They would immediately take pains to inform one another about how they could help one other in their plight, and how they would be prepared to assist one another. If one noted that the other harbored ignoble intentions and was only trying to promote his own interests, he would promptly inform him that he was ignoring the laws of civilized human conduct.¹ Moreover, we do not need to romanticize about an Odyssey in the Sahara in order to recognize how nature itself leads a person to go beyond the confines of the family circle and to establish contact with his fellow man. Is language, for example, confined to the immediate domestic household? Can I not also share my views with others, make clear my needs, consult with them, make plans, help them and be helped by them? That leads to a recognition of the most deep-seated bases for the political society which we call the state.

Undoubtedly the individual state is the direct product of history. However, this development which repeats itself time and again in history, along with its end result, would be inexplicable if we did not go beyond the historical origins and causes which give rise to one or the other individual state, and take into account the universal social needs and impulses of human nature. Taken as he is, man is in need of still other social relationships besides the family and the family circle, in order to lead a life which befits his human dignity. His social nature in its capacity for fulfillment, time and again directs him beyond the family toward the higher, more powerful, more comprehensive circle which the state represents, in order to realize his human goals - goals which, if it were not for the state, would remain unattainable ideals.

2. The Historical Development of the State, as a rule, stems originally from the *patriarchal family*. That was the opinion of Aristotle², and also of Cicero³ who regarded the family as the well-spring of the city and the seedbed of the state.

If the sons of the first family wished to remain in the house of the original father, or if, as Aristotle expressed it, while preserving a loose bond they were to establish a colony revolving around the father's house,

the related circles would extend farther and farther until there would finally end up being an ever broader kind of community alongside the original paternal household. It is clear that in such family complexes a common authority would have to emerge. Security, law and order, and protection against external enemies would make some public power indispensable. 'No nation that we know of was completely without political organization.' As a rule the succession of the head of the household was conferred on the first-born. Thus, the first conquerors were always heads of families or of clans. This rise of clan leaders stemming from family authorities is still evident among the Arabs, specifically among the northern Arabs, the so-called Bedouins, where even in our own time genealogies continue to command the greatest attention. The first conquerors became kings whenever more clans united themselves, along with their leaders, under the leadership of someone, either for their warfare or because of some set of local circumstances which appeared to make it necessary, or because colonies were being established. That is how the Babylonian and Assyrian nations arose. The Medes lived under clan leaders until they rose against the Assyrian King Sardanapal, with Arbazes as their common military leader. The Lydian kings were originally tribal leaders from the Atyades, Haraklydan, and Mermnaden dynasties. Wherever the Phoenicians or the Egyptians settled as colonists on the shores of Greece with its many bays, or on the islands of the archipelago, the leaders of those kinds of expeditions were naturally the best organizers of such settlements; and a hereditary rulership was derived from this. The dynasties of Kadmos in Thebes, of Kekrops in Attica, of Inachos in Argos, of Minos in Crete, were probably of such an origin. One cannot rule out the possibility that certain states arose as a result of voluntary agreements. Overcrowding often led to emigration; or sometimes disasters led people to seek their fortunes elsewhere. One tribe pushed another out, and the various countries and parts of the earth changed ownership. Such changes occurred on a grand scale in the form of the migration of entire nations both in prehistoric and in historical times. When those kinds of developments occurred, older states and forms of state were simply overrun. New structures and conditions replaced the old, whether by

forceful measures on the part of some mighty conqueror, or by free agreement among independent people.⁴

In such cases, states could arise on the basis of a more or less voluntary agreement. Examples of this kind are to be found in recent history. Thus, for example, the large numbers who immigrated to California elected a council in 1849 which was entrusted with the task of drawing up a constitution. That was then ratified by the people, and a new state was established.⁵ -

3. The State as a "Geographical Entity" - as a portion of humanity occupying a piece of land. Historically, states were not always confined to some particular piece of territory. Often they extended into neighboring territories without regard to geography. In that way various kinds of territory were brought together to make up a politically powerful force, and an economic unit. "The historical sense and economic unity *vis à vis* other countries bind some widely diverse parcels of land together more tightly than natural peculiarities are able to segregate them; and the political boundaries become more significant in economic and commercial life than the physical boundaries, no matter how distinctive the latter may be.

Adolf Ott made a comparative study of the ancient, medieval, and modern state in the *Staatslexikon der Görres Gesellschaft*. We are able to derive from that work, which is highly instructive precisely because it was comparative, certain significant ideas, in particular about the approach which is so important for our discipline:

4. The Relationship of the Individual to the State. The Hellenic state was essentially a city-state. Thus, the interests of individuals remained closer than is the case in the broader political communities. They never reached the point where they had to set limits on rights between individuals and the state. Actually, the citizen enjoyed a sphere of activity which was free of the state's intervention. However, there was lacking an awareness of the legal character of that sphere which was independent of the state's influence; and, therefore, there was no express legal recognition of that freedom. Beyond that, a shadow side emerged from the fact that slavery existed, with its lack of rights, and with the absence of any proper recognition of the rights and value of the human person.

Like the Greek state, the Roman state possessed an intrinsic juridical unity. Despite all conflicts among various classes, the recognition prevailed in every era that, no matter how many different organs there were, there was still one single omnipotent state - the *imperium*, the *maiestas* - and that all others enjoyed merely a derivative legitimacy. The right of the human person as such also did not gain recognition in the Roman state. The Roman citizen, to be sure, enjoyed a certain sphere of individual freedom, even though there was no legal awareness of that or any corresponding body of law. Specifically, there were two limits on the absolute state: there was the independence of the Roman family, and private property. By and large, the sphere of responsibilities toward the state was a small one. However, corresponding to it there were the claims of the citizens to services from the state, and participation in determining what the will of the state was. The later Roman empire did not preserve the legal and political sphere of independence which existed in the older Rome. Public rights were diminished; and finally the citizen had no share at all in public authority, and no freedom of action toward it.

Unlike the modern state, the medieval state did not stand opposite a mass of formally equal members. It was organized instead in "manorial fashion," so that there was a hierarchy within this mode of organization, which along with privileged sanctuaries also preserved conditions of limited freedom. What I mean to say is that this reduction of freedom now eventually does not place persons and things entirely, or almost entirely, on the same level. The individual was not left isolated in his legal, economic, and social relationships, without any intermediary between himself and the public authorities. In his associations and in his corporations, the individual had his immediate making and support and backing; and that is where he played his role. In the medieval state the position of the individual is involved essentially in the concept of corporate and associational right. There were two organizations which embraced the individual without their free consent: the feudal society and the guild structure. Along with those there was also a wealth of other free associations.

The absolute police state of the early modern era represented a relapse back toward the ancient state of the Roman imperial era. This brought with it an intolerable excess of state sovereignty, and there was virtually no recognition of any legal limits to state dominion over its citizens and their associations. The excess of regulation gave rise to the desire

for greater freedom, and it eventually put an end to the police state.

The modern state is not organized hierarchically or manorially but simply as a civil society of citizens. Individuals are free citizens who formally enjoy equal rights. Here too, they stand *vis à vis* the public authorities with nothing in between. If the modern state is characterized as a "state of laws" rather than as a police state, that is intended to mean that the state itself delineates an area of freedom for the individual *vis à vis* the state by positive legislation,⁶ and that furthermore the state demands services and support from its citizens only in accordance with laws which the people have a hand in drawing up (constitutions), and on the basis of which it eventually also exercises and recognizes legal control over its executives.

No one ought to suppose that the modern state is the highest fulfillment of what the organization of the state as a political society ought to be, either in principle or in practice. Unless we are badly mistaken, the evolution of the kind of organization which we have at present will also lead to the restructuring of the "modern" state into a more modern state with greater decentralization.

On a basically secure foundation, and essentially more exalted and free than the so-called "modern" notion of the state, is the concept of the state depicted in Christian philosophy. In the latter, the state is not represented as the source of all rights. Individuals and families do not simply derive their freedom and their rights from the state. They have natural rights which do not come from the state, but which the state is called upon to protect; and beyond that there are obligations in conscience toward the state, which provide a better guarantee of order than the simple application of external force does. That political state, in this view, constitutes a solidaristic unit and community. Progress lies in the direction of the Christian concept of the state.

5. The Natural Law Basis of the State and Its Importance. H. Dietzel rightfully complains that in the area of contemporary political science there are lacking any kinds of basic and universal concepts. He says:

The organic notion of a state is lost sight of because of the continuing evolution of political life on the basis of and according to the yardstick of given conditions. Certainly it is right to say that it is not possible to construct *a priori* an

absolute, universally valid system of direct practical politics. There is no other method for the art of statecraft than the 'historical' or 'relativistic' one which attempts to accommodate the specific political guideline and, in fact, the whole political system to concrete circumstances as much as possible, and even to derive it from them. But eventually there emanated from the principle of relativity of practical ways and means the principle that there are no such things as absolute purposes and goals. To have no system became the new system. Lack of principle was elevated to the level of principle.

And that unfortunate condition which such lack of principle results in and must of necessity lead to, ran its course not only in politics. Geyer says:

If, like the Sophists of ancient and modern times, we arrive at the point where we negate any deeper basis for law, then all ground has been cut from under political life and law generally. Positive legal and political science may then very well build its impressive structure and extend it to the minutest detail and with the greatest acumen; but it is built on quicksand. It then presents before our eyes, in an outstanding manner, a particular legal and political system as a fact of life; and we are able to survey its inner workings and construction; but there is no attempt to determine the extent to which that system merits our unconditional respect, reverence, and unqualified approval. If such a system were overthrown tomorrow by force and another put in its place, then an explanation of it has only historical value; and positive legal and political science has only to explain the new system which succeeds it in a scientific manner - even if it is a completely socialistic one. Trailing behind events, it must now present as correct what it previously presented as incorrect and vice versa. The abrupt opposite of such an approach and conception is the constant endeavor on the part of those who try to overthrow what is, whether in their own selfish interests, or for more noble reasons. And what is to prevent them from putting their ideas across by force, once they have achieved the ability to do so? The mere fact that something has come to be historically, and that it exists will certainly not stand in the way!.....We see that once law and

the state are cut loose from their ethical moorings, or even if they just become indifferent in its regard, the question of what is right and to what extent order in social life should prevail, all become contingent on who holds power. And they are resolved simply in terms of who is the more clever and energetic. Only if the sanctity of law is established and recognized as an ethical principle, will it have the kind of support which it cannot achieve by any kind of force or duress.

If natural law is not recognized, practical politics, e.g., all of our present-day social policy, will be merely a "historically justified" article of fashion or, as the socialist would say, a product of the anxiety and need of capitalistic society. If the natural law is not recognized, every effective kind of protection of civil liberty will fail. "If sovereignty were to mean that all potential for expanding authority are at the beck and call of the state, then we would all be slaves of the state and we would enjoy some little bit of legal leeway simply as a precarious concession from the state." No doubt about that. But who is there to put limits on the state's exercise of power if state sovereignty means not only independence from the estates which are of a feudal and corporate character, but also beyond that from all forces which are outside of and above the state, even from the one which the medieval legislators have so beautifully and decisively designated as the ultimate and highest Source of all law? If there is no recognition of a natural law, the state is left to its own resources; its only underlying basis then is force and violence which have to bow before the superior power and greater force of a successful revolution; and it would even have to yield "in the name of law itself." It is not because it is the product of revolution, but because of its natural purpose, the common good, that a new legal state which may result from revolution can, in fact, achieve legitimacy.⁷

6. Political Society and its Natural Purpose. As is true of every organization, for the state too, purpose and authority are its twofold bond of unity. But what is the purpose of political society? According to Montesquieu, all states have only one common purpose: to survive; and beyond that, every state has its own peculiar historical purpose: world domination for Rome, war for Sparta, etc. However, that does not solve the problem of the purpose of the state. Even if

each state develops its own peculiar purpose deriving from particular historical circumstances, the universal purpose of the state ranges far beyond simply its own self-preservation, since the state is in fact preserved only in order to achieve its true purpose. According to the simple and clear teaching of Christian philosophy, the state must provide the kinds of advantages and benefits for its members which they require, within the limits of the level of cultural development that they have attained, but which they cannot achieve by their own powers, by the capacities of their family or other social bodies of narrower scope. It is precisely for that purpose, as we have seen, that the state appears on the scene, as a social body which is required by nature, *because without the state man would lack much that is advantageous and necessary for his temporal welfare*. Thus, the universal purpose of the state is removed from merely historical circumstances and from the mere arbitrariness of men. All individual objectives and special goals as dictated by historic circumstances and situations must subordinate themselves to this universal purpose for which the state, as such, exists, and which it did not confer on itself, and which it can never disregard.

That universal purpose must be a *good*; for only what is a *good* is the object and goal of human endeavor. Furthermore, it must be a *temporal* good, because the state's sphere of competence does not extend directly to the hereafter; but all of its activity is limited directly to the here and now. Thus, it has to be a *good* which cannot be achieved and safeguarded by individuals, families, and other organizations operating within the state, either not at all, or not to a degree which is sufficient in terms of human and social needs. As the highest form of natural society, the state will therefore have a particular unique social purpose which appears as complementary or as the crowning achievement with regard to goals that can be achieved by individual or other social forces. All other members of society, in accordance with their own position and their own needs, must be able to share in the good which constitutes the social purpose of the state. In this sense, it must be a *common good* of the whole of society. For the state as a political society exists for all, and, in fact, for the sake of the *good* which it is able to provide and ought to provide. That good, however, is not simply *the mere existence of the state*, the preservation of its power, its own survival or fulfillment. We have only to recall here what was said earlier about the purpose of human

societies. No society exists simply for the purpose of surviving or in order to fulfill its existence. To be sure, the survival of the state and the preservation of its power are important tasks, and even a primary one for rulers and the nation; but these do not add up to its highest objective, or the ultimate purpose of the state. They are merely the indispensable means whereby the state can fulfill its highest purpose. They are the necessary prerequisites and conditions for the striving of political society which we call the state toward that good which is common to all members of society and which constitutes the real social purpose of the state. Thus, the ultimate purpose of the state and also the purpose which provides the rule and measure in the political order cannot be sought in what the state may do in order to safeguard and develop its own existence, unity, power, and efficiency, but in the civil order. The state does not exist for its own sake, but for its citizens. The purpose of the state, therefore, lies within the realm of *civil welfare*. It lies in the temporal welfare of the entire community of its citizens, to the extent that the combined power of the whole state is needed to provide, preserve, and fulfill the conditions for this welfare.

It would be a mistake, however, if we were to regard the temporal welfare of its citizens as the purpose of the state without any restrictions of any kind. Instead, what is needed in this regard are certain distinctions to separate in a proper manner the area of legitimate state functions from the sphere of private activity. The direct and positive actualization of the private good of individual citizens, of and by itself, lies beyond the limits of the state's purpose. That is so because: a) each person is the master of his own destiny. It is for that purpose that each person has received his capabilities and powers, so that he can achieve his private well-being by his own activity. From the state he looks for what is needed to make up for what he lacks, but not the suppression of his own private endeavor. b) Even if it tried to do so, the state could not accomplish the stragging task of directly seeing to the well-being of each individual citizen in a satisfactory manner. c) Finally, civil liberty would be the victim, because the supervision of all of private life would have to be the inevitable consequence of such an endeavor by the state.

Now if the state does not have the purpose of actualizing overall the welfare of individual citizens by its own positive and direct action, nevertheless, since the temporal welfare of all of its citizen members

represents the goal imposed upon it by nature, the purpose of the state involves the indirect endeavor, i.e., making possible the general welfare by social means and institutions. In other words: *the purpose of the state as political society consists in providing, preserving, and fulfilling the sum total of those public conditions and institutions which would provide, preserve, and enhance the potential of all members, through their combined energies so that they may freely and independently achieve their true temporal welfare according to their own particular capacities and situations, and to preserve what they have achieved in an honest manner.*⁸

The designated "potential" is the good which is common to all citizens of the state; and it constitutes the social purpose of the state. Therefore, if we speak about the public welfare as the purpose of the state, we infer two things: a) first of all that the private welfare of the individual as a part of the whole cannot be the *direct* product of activity by the state; and then, b) that the temporal welfare insofar as it represents the purpose of the society, the state, is common to all citizens, i.e., no one of them may be excluded from it, and no one of them may be favored in the enjoyment of the common goods, which is to say that the good of the community as a whole ends up favoring one class or group of persons. In that way the public welfare, along with the activity of individuals and their various associations operating within the bounds of the whole community becomes the major means whereby the common good of the entire nation becomes actual reality.

The essence of the "public welfare" is manifested by its ultimate ordering toward the well-being of all individuals and families; and that is so even though the direct positive actualization of the private welfare remains the business of the private individuals, excluding cases where people cannot help themselves.

A kind of "public welfare" which goes contrary to the private welfare of the parts of the political society, the state, would be a contradiction. Being the "public welfare," it ought to make possible the private welfare in a social manner, whereas it would actually be hindering it or making it impossible.

There cannot be talk of genuine "welfare" in any area which operates in opposition to the welfare of a higher order, or if it involves injury to the moral order in particular, which represents the universal and highest end of mankind. (Principle of Cultural Unity).⁹

The expressions "public welfare," "welfare of the state," etc. have

been picked up and used by rationalist thinkers in a very abstract manner. The welfare of the state was formally hypostasized in the process and elevated above the general welfare of the citizens - an ancient error of absolutism: people are here for the state and not the state for people! There is no doubt but that the citizen must sacrifice property and even his very life-blood for the state when this becomes necessary. But this is not the same as saying that the welfare of the state stands above the welfare of the community of citizens. It means instead, as we have indicated, that the preservation of the welfare of the state is to be regarded as an essential prerequisite for the general welfare of its citizens, which is the ultimate purpose of the state as a political society.

The welfare of the state in the narrower sense, as a prerequisite, the public welfare as a condition and source of the general welfare of citizens, and also this general welfare of the citizens itself, are often designated *per modum unius* by the term common good, or general welfare. Even the words, public welfare, general welfare, common good, etc., are frequently used interchangeably.

7. The Public Welfare as the Purpose of the State. Two things are implicit in the public welfare or in its realization: *protection* and *assistance*. The state as political society is, in fact, based on the natural need of people for security and for the full realization of their capacities.

1. First of all, the state must make the necessary arrangements so that it can afford the requisite protection of all of its citizens. The actual exercise of the protective function applies to every individual, family, and individual corporate body in accordance with the particular needs of the situation. Without such protection for individual citizens when it is needed, there would be no security, and it would be impossible to provide for the temporal welfare and to safeguard it. Furthermore, if individual instances of injustice were not counteracted, then, by the mere fact of human malice, criminality would increase in a way that would jeopardize the survival of the state as a society. On the other hand, in the interests of order and public peace, the individual citizens cannot, as a general rule, be entrusted with the use of force to secure their rights.

2. So far as help is concerned, of and by itself the state has to deal directly here with the entire community and not with individual

persons. To the extent that the community of citizens or their groups are provided with the kinds of social benefits as would be possible only through the combined power of the state, the individual person as a member of society, in and along with the community, is able to work positively toward achieving his own private welfare by himself while sharing in those benefits and institutional arrangements. The use of force is involved only if the arbitrary exclusion of the individual from being able to take advantage of common social benefits would work to the disadvantage of the community. In certain cases and under given conditions, providing directly and positively also for citizens who would otherwise find themselves helpless becomes necessary. When and where, for example, private benevolence is no longer up to taking care of all of those who are in need, like the sick, the poor, etc., as is often the case in our time, then the public bodies must step in and provide for them with all of the means at their disposal. The welfare of the nation itself, its security, public morality, etc., aside from humane considerations, make it inconceivable that the poor and sick are left to their own fate or without adequate help in their plight. That is when the public bodies are, without a doubt, in a position where they must put into operation the obligation in charity which is incumbent on private ownership to provide alms. And in the right kind of situation that obligation may even be required by positive legislation (poor tax), in the interest of the public welfare, and also in the interest of individual persons who, despite the emergence of the customary public institutions, are prevented by personal misfortune from exercising their potential for acting on their own behalf to provide for their own welfare, either momentarily or permanently. Obviously public care for the poor must in no way replace or suppress private benevolence where this is adequate. Even the best care provided by the community, the province, or the state, cannot replace free charitable actions.

In our opinion, it does not follow from the observation that public care for the poor is principally and fundamentally only subsidiary, in other words, complementary to private charity, that public care may therefore move in only after private charitable endeavor proves itself wholly inadequate. Since public bodies, which have jurisdiction over the poor tax, and perhaps also over the yields from pious endowments, are in a certain real sense the most capable representatives of those obligations for support which are incumbent upon property ownership originally, it would not present any real difficulty, as we see it, if

private charity, charitable societies, etc. would in certain circumstances resort to public bodies for support. In that way they could shepherd their own resources for the other ever-present needs which they face constantly.

3. The public welfare is regarded as welfare which is common to all insofar as all share in the protection of the state and in its help. That is not to say that help and protection are to be accorded to each citizen and to each social group in the same degree and in the same form. Particular needs and merits on the part of the various sectors of the state which are under consideration allow different responses according to the principle of *distributive* justice. It can happen, for example, that one social group, because of the particular situation in which it finds itself, requires a greater amount of legal protection and positive assistance so that it can even realize the possibility of working out its existence and of providing the well-being it needs for its life in society. The fact that the state takes special care on behalf of particular social groups in no way contradicts the purpose of the state as we have presented that here, i.e., to see to the general public welfare of all together. On the contrary, there is no better way of providing for the general welfare than where, with due regard for the unique position of each of the various groups, the needs of all groups are taken into account as much as possible, and there is a prudent attempt to balance contending interests. In the application of this principle, Leo XIII, when dealing with the working class at the present time, made the following statement:

Whence it follows that all those measures ought to be favored which seem in any way capable of benefiting the condition of workers. Such solicitude is so far from injuring anyone, that it is destined rather to benefit all, because it is of absolute interest to the State that those citizens should not be miserable in every respect from whom such necessary goods proceed.¹⁰

The same view was expressed by Wilhelm I in an imperial statement on November 17, 1881, where he wanted to develop the idea of what the purpose of the state was "on the basis of Christian national life," rather than according to the then prevalent liberal theory, fostering and promising protection and positive action on behalf of the working class because of its oppression and helplessness.

4. When more recent political theory mentions the objectives of law and compulsion on the one hand, and cultural and welfare objectives on the other, we are, as a rule, back to the point of view which Christian philosophy has always upheld. However, the close relationship between the application of force and of law can lead to an unclear and therefore risky judgement about the relationship of political and civil order. There is no doubt but that the state has to have at its disposal the use of force in order to achieve its legal objective. Without force, it could not exercise in an adequate manner, "care for the first of all common needs of human life together in a nation - life according to the legal order within the state, the nation, and the national economy, and externally toward other states." Yet, as we have seen, force is to legal purpose, as the means is to the end; and thus, one cannot simply be equated with the other. Even for the cultural and welfare objectives of the state (the elimination of barriers to legitimate social activities, the provision of public arrangements and institutions, etc.) the power of the state is a necessary prerequisite. However, exaggerations which, in the absence of a basic limitation, could easily lead to absolutist abuses, are vague demands like these: the state must be equipped with the kind of overwhelming power in comparison with which the power of each individual is infinitely small; or: the state must exercise its power over its people in a manner which is so severe that they will willingly accept the burden imposed on it, etc.

Gumplowicz went the farthest in expressing this concept of power. His sociological theory of the state viewed the state neither as an organism which grew naturally, nor as a historical manifestation of the spirit of the nation, nor as the result of a social contract, etc. What he presented us with was instead, by and large, a legal order imposed on a subjugated group of people by other victorious conquering groups of people. The purpose of this legal order is to fortify the domineering and exploitative relationship over the long run, and to preserve the subjected people in a manner which enables them to continue to render service. Thus it is quite consistent to hear Gumplowicz say: "The state possesses power and not the right, although it creates, develops, and fosters the latter." While Merkel proposed that legal questions are not questions relating to the power positions of contending parties, but questions to be judged in terms of the truth of what they are maintaining and of the value of their claims as seen by a higher forum, Gumplowicz regards that as applicable to the area of private law but not

to the law of the state. For the state there is no higher forum. "He who tries to combine state and private law within the overall concept of law will never rise above doubts and confusion; and he will find himself in the unhappy situation where, in deference to law, he will end up coming into conflict with the most vital interests of his nation and of the state." That clearly commits one to the policy of might over right, where the reason for the state's existence and its interests and purposes permit it to use any means at all to achieve its objectives. Such a logical consequence, which goes counter to the legal philosophy of all nations, demonstrates clearly the scientific untenability of the premises underlying Gumplowicz's case.

5. With regard to the more active involvement of forces which are organized according to occupation, one gets the feeling that we may begin to speak again about a time when the power of the state will be reduced. The accumulation of power in the great economic associations was a basic idea underlying the German movement toward worker councils. There is also talk in the theory of the "pure state" about a "threefold structuring of the social organism" where a limitation of the state to providing of legal order was expressed, whereas the structuring of economic and cultural life was to be left to autonomous organizations. We too are of the opinion that occupational organizations will come to play a greater roll, in an updated form, than has been the case in modern era. That does not suggest by any means a complete elimination of the state, or of its role in public law, culture, and welfare.

6. The state too must recognize, respect, and not violate private law or the economic independence and the civil and private economic liberty of its members. It must never be forgotten that we are dealing here with the natural rights of citizens, which may not be arbitrarily and capriciously limited, suppressed, or abolished. That applies as well to individual citizens as to associations. Mankind is not looking for suppression, but for protection of its natural rights, its natural freedom, and its own unique worth within the realm of the political society - the state. Every unnecessary, arbitrary restriction of freedom and of private rights goes against the purpose of the state, because it reduces the capacity for independent activity in working out one's own private welfare, and it stifles private initiative, and limits the welfare of its citizens instead of promoting it. The principle of order is justice, and that means, in fact, justice toward all of society as well as toward each

of its individual members. *Suum cuique!*

Wherever private rights collide with the rights of the community, they must yield to the public right which is higher on the basis of the *principle of conflict of rights*, but never more than is necessary to come to grips with the conflicting rights. Thus, for example, the elimination of private ownership of a parcel of land, etc. can be required by the public welfare, as the expropriation of something can be justified.¹¹ What happens then is that it is not the value residing in that parcel of land, so long as it is owned by the private owner, which comes into conflict with the public welfare. Therefore, the private owner is entitled to receive full reimbursement for the value of the land.

7. There is a twofold consideration which we wish to stress finally: a) when the state as a political society provides for the protection and help of its members, it is self-evident that these members for their part must also forego the temptation to pursue their own interests at all costs without regard for others. Otherwise living in society would end up being detrimental to many members. Therefore the protection which the state as a society exercises is not directed merely against other states and nations, but also specifically against suppression and brutality in the internal relationships among its members, so that it strives for a harmonization of opposing interests. b) For the state to provide help and protection does not mean capricious, arbitrary, or sporadic action. We are dealing instead, in the final analysis, with a complex of institutions, arrangements, and definite activities, as well as with ongoing conditions which guarantee the kind of protection and help which is continuous and at the same time geared to the needs of the present as well to making steady progress.

8. State Policy, and Economic and Social Policies. In the broadest sense, policy is understood to mean practical dealing and prudence in the selection of means toward the given end. In this sense we may also speak of the policies of private parties, of organizations within the state, etc. In the narrower sense, the word policy is meant to refer to the state; and it refers to the prudence of the state in the way it operates and in the choice of means with reference to the pre-ordained task of the state's organization, and that includes the way in which the state protects itself by its defense posture toward the outside world: external policy. It also includes internal policy: establishing, maintaining, and providing the kind of order which is in keeping with

the purpose of the state.

Internal policy has to do with a proper legal order (that is: providing a system of laws and seeing to it that this system is adhered to), and with providing for the general welfare. Internal policy, therefore includes the kind of economic and social policy which is of special interest to us here. Economic policy embraces the endeavor of the state, using the means available to the entire community, to bring about and safeguard the fulfillment of the economic process - the process of providing material goods for the nation in a manner which corresponds to the national welfare.¹² If we take the expression, "social policy" in the broader (in fact, too broad) sense, then we mean by it the activity of the state which involves the protection of rights, but which moves beyond the simple protection of rights to the protection and the promotion of the welfare of the people overall; so we are dealing with activity of the state that is dominated by the "social" perspective. Actually the expression "social policy" is used commonly today in the narrower sense, as being limited to the protection and promotion of social groups, estates, and classes, in terms of supporting them economically and socially (with reference to their social status, the preservation and strengthening of the middle class, providing order in labor relations and in the labor contract as far as its legal prerequisites are concerned, its legal and economic content, and the corresponding order in production). Specifically, we think in terms of the goal of social reform and social policy in the narrowest sense: dealing with contentions, the proper relationship between profit-making groups and occupational groups, and the attempt to once again tighten the bonds of community which have been so loosened. The history of social policy, therefore, is scarcely exhausted by reference to the struggle to get enough food, as Sombart expressed it, as opposed to the struggle to secure the place to get one's food, which is supposed to constitute the sum and substance of national policy.

Economic and social policy as a practical matter do not allow themselves to be distinguished in clearcut fashion; they are very much interrelated. Since we will be dealing later with economic and social policy, we shall be satisfied with the foregoing observations for now.

9. State Socialism. In principle, the purpose of the state and the functions of state authority are the same always. However, in their historical context, and in the specific form which they take on, the

tasks and accomplishments of the state will take on different forms: one form if there is a prevalence of individual production by the isolated individual; another if the self-contained family unit prevails; and still another where economic intercourse extends further beyond the limits of the village and the city; and another, once the entire nation is bound together by a manifold bond of solid economic unity. This growing historical extension and complication of the state's tasks may contain within itself the danger of transgressing proper limits; but it by no means militates against the justification of the state's existence as based on the natural law. Instead, it emerges precisely as the historical fulfillment of this purpose in accordance with the changing historical conditions of the public welfare, and the need for state protection and assistance as these change and grow from one stage to the next. You are face to face with unacceptable state socialism once the state no longer wants to recognize the area of private rights and the private economic sector as one that is circumscribed by natural rights even *vis à vis* itself - rights which are prior to all state authority and all positive legislation passed by the state and which it must therefore respect and protect and never violate - in other words *when the state places itself in the position of "society" and makes itself the subject of the national economy*, so that it transforms the economic process to a greater or lesser degree into a function of the state's economic apparatus.¹³ Basically and essentially, state socialism involves the negation in principle and the practical endangerment of the legitimate status of the private economic sector; and ultimately it is rooted in the theoretical denial of or disregard for the natural law, natural justice, and therefore any basic restriction on state activity and state control over the economy.

It does not add up to state socialism, therefore, if the state limits the freedom of its citizens, where the protection of the rights of private individuals and the community obviously calls for such limitation, e.g., by legal regulation of private enterprise in order to safeguard the rights of workers. It is not state socialism if the state strives to offset the rival interests of various groups or classes on behalf of the general welfare. It is not state socialism if the state requires of its citizens that they also make positive contributions to the community in conformity with the norms of distributive justice. And it would not be state socialism if the state were to take over property or productive enterprise that was hitherto private - assuming full reimbursement of the value of

what is taken over - if the need for such nationalization is clearly demonstrated by economic necessity, i.e., when there is a general need which can no longer be satisfied by private enterprise, at least not in a manner which would not involve danger and harm to the public. It is not state or community socialism if public bodies in or near the area of the city acquire property to safeguard broader legitimate interests, insofar as other ways and means may be lacking or inadequate. Nor can it be ascribed to socialistic tendencies if a rural community owns or enlarges its holdings of forests, meadows, etc., to advance the private economic endeavors of its members, etc.

However, it is state socialism when, by appealing to some alleged "law," an encroachment by the state on personal liberty, private property, and private economic enterprise is treated as something which it is free to turn over to the state without regard to natural and well-established rights, and if freedom and private enterprise are restricted or bureaucratically controlled in a manner which is by no means based on the clear requirements of justice and the common good. We refer to something specifically as "state socialism" when nationalization no longer results from the nature of certain specific types of enterprise, or from special circumstances which would prompt making them public as an unavoidable necessity for the satisfaction of the nation's needs, but where it arises simply as a means to solve directly the "problem of distribution". It is not a foregone conclusion, that branches of the economy which clearly can be operated efficiently in an economic and technical sense by state bodies, ought to be so operated without further question. And there are also some basic limitations against state monopolization for financial purposes.

State socialism goes well beyond the concept of the state. It authorizes or requires state intervention in the economic area which goes far beyond the limits established by the purpose of the state; and ultimately it would turn over the regulation and guidance of economic life almost entirely to state authorities. Cathrein says,¹⁴

The state socialists are distinct from the extreme or logically consistent socialists in that they do not propose that private ownership be abolished in principle, or that today's class distinctions should be abolished, or that today's social order is simply to be overthrown. According to them it is only required that the state should eliminate present-day social

antagonisms, and therefore take over as many of the means of production into state ownership or into direct state operation as serves that purpose. *State socialism leaves the limits of the margin between private law and public law up to the discretion of state authorities....* A tacit assumption of state socialism is that there is no natural law which is independent of the state, and that the right of private property in particular is only a positive right that is provided by state authority, so that it may therefore be revoked under given conditions. Another untenable assumption of the state socialists is their incorrect approach to *distributive justice*. They assume that the object of distributive justice are not only *public* goods, but all goods in the state without exception, whether private or public; therefore it is their task to see to it that everyone gets to possess property (income) in accordance with his merits. That, however, is an incorrect and impossible requirement.¹⁵

Nevertheless, state socialism allows various gradations. In its most extreme form, it looks forward to a complete socialistic order, even though this is in the dim and distant future. But when that time comes, it visualizes the state and not society, as the subject and operator of the economic process, just as for the present, unlike democratic socialism, it proposes a monarchical state authority. Furthermore, while democratic Marxian socialism strives for the socialization of production in one blow (The Theory of Catastrophe), even extreme state socialism promotes nationalization step by step, in actual practice. It does not want to put aside private ownership of the means of production all at once. Instead, always just so many means of production are to be taken over by the state as may seem necessary to harmonize social conflicts as large scale industry develops and makes this necessary....

¹ Taparelli, *Naturrecht* I, 126f. It is not our intention to present a complete theory of the state at this point. We shall limit ourselves to presenting certain points of view which are of special importance for economics.

² *Polit.* 1, 2.

³ *De Officiis* 1, 17.

⁴ Ratzel, *Völkerkunde* I, Introduction 87.

⁵ Christian Pesch, *Die Christliche Staatsidee* (1887) 44.

⁶ How little the one-sided theories of scholars, the self-interested efforts of parties, the majority decisions of parliaments representing state sovereignty are able to establish limits to protect civil liberty is made clear in the era where liberalism predominates. In the economic area the sphere of individual freedom was extended in principle and in practice in such a manner that the welfare of the nation could no longer be maintained, while, at the same time, the higher levels of culture saw themselves surrendered for the most part to the unlimited authority of the state at the expense of rights and civil liberty.

⁷ The natural law concept by no means excludes the historical approach to political and economic life. Thus, the attack which Biermann makes against the "natural law" of the 17th and 18th centuries also has no applicability to the natural law in the sense which Christian philosophy understands it. One cannot say of it what may apply to the individualistic Enlightenment and to the followers of Adam Smith: "The natural law lacks historic perspective with regard to the relativity of all phenomena. Its rationalistic doctrine of the state is doctrinaire; it believes in an absolute ideal, meaning that there is a universal ideal of the state which applies to all eras." The ancient natural law of Christian philosophy recognizes the relativity of all phenomena. It proposes no absolute ideal which must function in the same concrete form in all times and circumstances. The dependence of the form which the state assumes on the character of the nation, on historical development, and on the circumstances of the time, is not contested. It simply insists on absolute principles and postulates of law, which cannot be ignored, but which must instead be realized in whatever time frame, even if these occur in a form which varies according to historical circumstances. Cf. W.E. Biermann, *Staat und Wirtschaft. I: Die Anschauungen des ökonomischen Individualismus* (1904) 177. Cf. above p. 145.

⁸ Cf. V. Cathrein, *Moralphilosophie*, II, 506ff.; H. Pesch, *Liberalismus, Sozialismus und christliche Gesellschaftsordnung*, 409. The circumscription of the state's purpose cited above is especially suited to economic life and the material aspect of welfare. But it is not limited to material culture. The state complements also other cultural endeavors, insofar as these cannot be achieved by the capacity of individual citizens. That goes along with the public conditions of the national welfare.

⁹ Ernst Moritz Arndt says, "It is not the highest destiny of the state to produce certain amounts of shoes and stockings weekly, and plow a certain number of furrows, but that its citizens will be healthy in body and soul, and be a vigorous and alert nation." Cf. also Karl Kiehl, *Die sozialpolitische Bedeutung des technischen Fortschrittes*, in the *Jahrbücher für Nationalökonomie und Statistik* XXXVI (1908), 167ff.

¹⁰ Encyclical *Rerum Novarum*. (St. Paul Editions, para.51). Bishop v. Ketteler had always defended the same views. Cf. Otto Pfülf S. J., *Bischof v. Ketteler* III (1899) 297f.

¹¹ It is clear that a personal expropriation, for example of Poles as Poles for political purposes, is objectionable in principle, and that one must also have grave reservations against this for reasons of political prudence.

¹² Gustav Cohn (*System* I, 295) says, "Just as sunlight and the warmth of the sun in physical nature have great economic importance, even though these are not of an economic nature, so also light and warmth flows from the spirit of a statesman into the world of economic activity, and the people of his own nation enjoy the fruits of his work in their commercial gain or in their settlements."

¹³ When it is said that the state operates essentially only in a subsidiary manner, that is still a far cry from "*laissez aller*" in the individualistic sense of the word. Regarding the danger of that kind of interpretation, cf. Seligman, *Principles of Economics* (1906), 38f.

¹⁴ *Moralphilosophie* II, 521. v. Vollmar said: "One can say that state socialism taken in the general sense applies, where the existing state is not merely an organization for political purposes, but that its sovereignty extends also to the economic area to its full extent. This means that the state deals not only with the regulation of all relations between labor and management, but that the transfer of any portion of the goods produced among those who are in charge, and even the direct operation of the state lie within its authority." This definition could give rise to misunderstanding if it suggests that every kind of state intervention in the economic area, including what lies within the realm of the state's objectives, amounts to state socialism.

¹⁵ Vkt. Cathrein, *Moralphilosophie* II, 239ff. Cf. the theory of income and wealth determination in the fifth volume of this work.

Excerpt 3

SOLIDARISM

Translator's Commentary. This essay on Solidarism (*Solidarismus* in the original German) outlines the social philosophy underlying the entire social (or solidaristic) system of human work. Since it ranks as one of the most distinctive of the excerpts from Pesch's *Lehrbuch*, it is presented in its entirety, including the bibliography and all footnotes. (Vol. I, pp. 409-455).

Once again, the Jesuit scholar established a biblical basis for that social philosophy from both the Old and the New Testaments. First there is the reference to overall solidarity of the human race as a family of God, based on its common parentage and destiny (*Genesis*). Then the *Letter of Paul to the Romans* is mentioned, where the Apostle wrote about an organic unity of the human race - what the Catholic Church presents as the doctrine of the Mystical Body of Christ.

The presentation itself is so clear that it scarcely calls for exegesis. Scholars may be interested in what could be a significant change in the last edition (1924), the one presented in translation here, from what was contained in the first edition of Volume I, published in 1905. In the original edition, Pesch listed three specific levels of application of the principle of solidarity: the human race in its entirety; citizens of the same political state; and those who work at the same occupation. In the 1924 edition, he included a fourth: the family. There is no hint in the Foreword to this last edition as to why that change was made. One could venture a guess that in the 19 years which passed since the first edition appeared, the deterioration of family life in German society, for which Pesch attributed much blame to the capitalistic form of economic

organization, had intensified to what he perceived to be an alarming degree. In any case, the family was treated in the first volume of both editions as one of the "pillars of social order."

Significant insights about solidarism and the author's viewpoints are found there.

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The guiding principle of individualism was the absolute freedom and autonomy of the individual economic unit seeking exclusively its own advantage. To individualistic decentralization, socialism opposed a totally unified, centralized, universal economic community which obliterates all social differentiation between occupational groups,

classes, and estates. Between these two extremes of absolute centralization and absolute decentralization, there is a third system which we propose to call *solidarism*.

1. The Concept: Solidarity. The concept, solidarity, is not new. During the course of time it has taken on various and not always acceptable connotations. Raymund de Waha¹ recalled how the idea of solidarity of the whole human race finds application in the doctrine of original sin and, we might add, in the Christian concept of a family of God embracing all of mankind, during the Middle Ages. Especially relevant here is the teaching of St. Paul² regarding the organic unity of human society. Solidarity, meaning actual mutual interdependence based on division of labor, comes to our attention in Adam Smith's *Wealth of Nations*; and as a community of interests among all branches of industry and all nations, in J. B. Say's *Theory of Markets*. Auguste Comte, who regarded himself as the real discoverer of the solidarity concept, used it not only as applying in the area of social science, but also in natural science, e.g., to explain the harmony of the stars in outer space. Socialist Pierre Leroux mentions a "natural law of solidarity;" and we also encounter the idea in the teachings of the Fourierists³ and Proudhon. Bastiat, in his *Harmonies*, recognizes a collective responsibility of the parts to the whole, and even a solidarity which unites the whole human family into one unit. The exaggerations of 19th century sociology are also well-known, where an analogy between society and a physical organism was proposed; and as a result of this the solidarity concept fell into disrepute. One ought to mention also the "natural solidarity" between employers and workers as suggested by Sismondi.⁴ He held that the opposition between private interests and classes is historically conditioned and can therefore be done away with by legislation. Since the existence of wage earners has become a prerequisite for the survival of entrepreneurs and vice versa, a natural solidarity exists between the two groups. Lawmakers have only to draw the necessary conclusions and require that the entrepreneurs must treat the worker well, even when he is sick, unemployed, or aging. Whereas the entrepreneur is content to look out solely for his own profit, Sismondi felt that an enterprise which cannot support its workers in decent circumstances on a continuing basis is of no value.

For some supporters, solidarism took the form proposed by Leon Bourgeois.⁵ The introduction of state intervention is approached here in

a totally individualistic manner. The property-owning class appears to be obligated to the propertyless class as if by a kind of contract for sharing their wealth with them. And from that is derived a right of the state to intervene and force the fulfillment of this obligation, so that providing for the propertyless persons becomes a kind of legally actionable obligation. We shall have to return later again to cooperative solidarism as understood by Charles Gide.⁶ He advocates a universal cooperative communalization of economic life, as opposed to organizing it according to occupations, which he rejects as leading to social factions. Also, Eugene d'Eichthal⁷ suggests the law of cooperation as a vital principle which should, in the future, replace the law of destruction that has prevailed until now as a rule of life. Then the relations between individuals and nations will be structured in a more peaceful basis, cooperative working arrangements will be fostered, individual arbitrariness and self-seeking will be reined in by the requirements of the general welfare, and it will serve as a moderating influence in the distribution of goods. Emile Durkheim distinguished between mechanical and organic solidarity - in other words, between the kind of solidarity which stemmed from similarity in primitive societies, and that which resulted from variety and differentiation in advanced societies. According to him, man is a moral being only because he lives in society; and this life in society, depending on the level of economic development, gives rise to and determines the solidaristic obligation. Contrary to Gide, Durkheim⁸ ascribes great importance to the restoration of a corporative order in society, to which the evolutionary process at work in the present era will necessarily lead.⁹

Providing a correct "moral atmosphere" as they understood it, as a prerequisite for social reform endeavors, was the task which the "Christian socialists" in England set for themselves: Frederic Denison Maurice, Charles Kingsley, John Malcolm Ludlow, Stewart D. Headlam, and others.¹⁰ Thomas Carlyle, the foremost among the "ethical socialists", and also John Ruskin merit special mention. Full of concern about the sufferings of the lower class, these sympathetic men launched headlong into a battle against the plutocracy with biting criticism of the egotistical individualism which dominated both theory and practice in England. The education of the nation toward an altruistic point of view, and the improvement of the lot of the working classes - specifically by moralization and socialization of the attitudes of the

property-owning classes - but nevertheless through free cooperation - that was the dominant motivation and the overall goal of those "social prophets" (Peabody).¹¹

It was Donoso Cortes¹² who had already drawn attention to the close connection between the principle of solidarity and Catholic Christian teaching:

The responsibility in general, which is called solidarity, is one of the most beautiful and noblest revelations of Catholic dogma. Through solidarity, man - exalted to a greater dignity and a higher level - ceases to be a mere atom in space and a mere minute in time. Living before he is born and after he dies, he is extended through time and through space. Through solidarity, humanity is preserved and, up to a certain point, even created; with that expression, which meant nothing in ancient societies, mankind expresses the unity in human nature and the close relationship which binds men together.

One needs scarcely mention that the concept, solidarity, in one form or another - whether to indicate community of interests, mutual interdependence, complementarity, altruistic feelings and obligations as well as universal human charity and fraternity - is also found in use among all of those Catholic authors who concern themselves with social philosophy or with economics and social policy. They make use of it whenever they express the notion of civil responsibilities and obligations to a community when dealing with life in the state as a political community, and with social justice and social charity. These include: Vogelsang, A.M. Weiss, Ebenhoch, v. Liechtenstein, Schindler, v. Kuefstein, Waitz, Biederlack, etc.; also v. Ketteler, v. Hertling, E. Jäger, Hitze, Pieper, Retzbach, Werthmann, Cathrein, Lehmkuhl, Th. Meyer, Th. Brauer, M. Scheler, C. Noppel, etc.; and de Mun, la Tour-du-Pin, Raoul, Jay, Martin Saint-Leon, Lorin, Antoine, Desbuquois, etc.; and Périn, V. Brants, Duthoit, Rutten, Vermeersch, etc.; and Decurtins, Eberle, Beck, Feigenwinter, Hättenschwiller, among others; also Toniolo, Soderini, Liberatore, Cepeda, Sancha y Nevas, Orti y Lara, Escartin, Vicent, de Castro, Llovera, Lopez, etc., as well as Devas, Mooney, Toke, Crawford, Water, Pluhr, Parkinson, among others; and by Schaepman, Aalberse, etc.

It is characteristic of the Catholic writers to derive the concept of solidarity from the moral order, and to make the social and economic

meaning of solidarity appear to depend on its recognition and validity as a moral principle.¹³ For example, whenever the Christian religion refers to men as brothers, it is not resorting to a kind of demagogic slogan. It actually establishes this brotherhood on the basis of the common origin and the common destiny of all of mankind, and on the common Fatherhood of God, and the fact that all men are his children, and also on the basis of a common Redeemer and a common Church which was intended for all of us. Christianity requires brotherhood inasmuch as it teaches the law by which the altruistic notion of solidarity achieves its highest and noblest expression: love thy neighbor as thyself! It continually practices brotherhood in the countless works of Christian charity, through the unselfish sacrifices of its finest representatives in the service of poverty and in the alleviation of misery of every kind and degree, and by the honest reverence which it accords to even the most down-trodden.

The French Revolution¹⁴ and socialism also have appropriated the beautiful notion of brotherhood, even while denying its true origin. It is emblazoned on banners which fly over the heads of the misguided worker-brigades. In the proletarian class-ethic, solidarity even represents the highest virtue. Despite all of that, social class solidarity in its constricted proletarian interpretation, lags far behind the universality which the true human and social solidarity takes on in the Christian sense. It is lacking in moral foundation and responsibility and the thousand year old historical experience of the law which is established on the basis of divine authority and power.

Since the word, solidarity, is used by spokesmen for the most varied viewpoints and is often also misused as our very incomplete survey indicates, it becomes necessary to determine a meaning of the concept, solidarity, which will provide a sound scientific basis for our investigation. Therefore we state: *the idea of solidarity as it is applied to a social community, in its double role of shaping and nurturing the community, means the orderly amalgamation of all efforts by forces which are supposed to, or do in fact, bind society together with reference to a morally permissible or morally required common goal.* No one can obligate himself, or feel himself obligated to pursue morally reprobate goals or to use evil means. The solidarity of a band of robbers is a criminal community of interests. It has merely the name or outward appearance of solidarity, but it does not imply true solidarity

based on moral obligation.

If we apply the concept, solidarity, to political society and to the national economy as representing a component of the social life of a politically unified national community, then it obviously can have no other goal than the very goal of political society itself¹⁵ and of the national economy,¹⁶ i.e., the public and general welfare. That means the material national well-being in harmonious combination with the overall welfare of the nation. If solidarity would only serve as a cover or a decoration for individual or class egotism within the state and the economy, then it would be degraded to the level of a mere slogan, an altruistic-sounding motto. In this context, it would be all the more dangerous, the more intensely and comprehensively that it would place itself in opposition to the social purpose. In other words, the kind of solidarity which is destined to promote harmony and unity among individuals and groups in the state and in the economy is irreconcilable with any exclusively utilitarian conception as advanced by plutocratic individualism, and by every kind of one-sided class and group egotism. It implies not only a bolstering of our strengths and an increase in utilities and opportunities to be exploited, it also demands sacrifice, alignment with and subordination to the purposes of society as a whole.¹⁷ That includes also sacrifices even where, in individual cases, there may not be any compensating gain in prospect. For this, a higher motivation is required, and therefore civil solidarity needs to be anchored firmly in the moral order.

The state is a necessary and a natural form of society for man, just as the family is. Therefore subordination to the national purpose is not something which can be done merely if and as one pleases. We are dealing rather with an *obligation based on the natural law*. It is different with the various forms of cooperative and corporate communal and occupational organizations. There, solidarity operates mainly to serve a community of interests or an occupational identity. The sympathy which emerges there may well play a constructive and regulative role, and it may impose certain obligations, but only after the bond has come into existence either contractually (in the case of a cooperative) or by some positive legislative action (as in the case of an occupational organization).

An insight into the teachings of certain outstanding economists who have an ethical orientation would seem to be in order now, to give us a better understanding of the doctrine of solidarity, and also to help us to

avoid certain kinds of one-sidedness and exaggeration.*

*(Among the French Catholic students of social policy, the approach to the notion of solidarity at first developed in different directions inasmuch as on the one side (School of Angers, "*Réforme sociale*") solidarity was understood more as the outcome of individual self-seeking, in the sense of voluntary charity, patronage and organized self-help; but at the same time the other side insisted emphatically that solidarity was a principle of social rights, so that this group placed greater stress on state intervention (School of Liege, "*Association catholique* "). The German and Austrian social policy experts largely follow the latter approach, even though different nuances are evident in their viewpoints on social issues. Franz Walter offered a tempered comment (Article: "*Volkswirtschaftslehre*" in *Staatslexikon der Görres-Gesellschaft* V, 1229) about these differences of opinion which surfaced also among Catholic social policy scholars despite the basic unity among them. He says: "At present it is a fact that there can still be significant differences in points of view depending on economic and social conditions. Thus it happens that individual scholars, depending on their own dispositions, allow themselves to follow one or the other course and arrive at conclusions which vary considerably. It is especially true that there are existing conditions in particular countries which are bound to have an influence on their own people. In a country whose population is particularly business-oriented and thrifty, the inclination there generally will be to not demand too much of state intervention in economic affairs. That is why there are authors who, despite the fact that they adhere steadfastly to their Catholic beliefs and moral teachings and are true sons of the Church, nevertheless favor far-reaching social and economic freedom for individuals as well as for associations and corporate bodies; whereas other writers who remain true to their Church, where the people are less advanced economically, and where there are serious grievances in the productive sectors of the nation and therefore among the little people, take an entirely different position on these issues. Besides, a more individualistically inclined type of person, since until now the sum total of social and economic conditions in earlier times have not all become clear-cut, any more than equivalent conditions of our own time, will arrive at different conclusions on the basis of the evidence in front of him, than a person who is by nature inclined to conform and to subordinate himself, and who will more easily be persuaded to support a compulsory corporate organization or the kind of state which is designed along bureaucratic-authoritative lines. The former disposition is more likely than the latter to lead a person in the direction of a rational mode of operation where there is more premium placed on an inherent ability to develop programs of self-help and of self-

advancement, especially if he has had favorable experiences. Thus, the emergence of different schools is fully understandable even among Christian scholars and especially among Catholic ones." Today there is no longer any serious difference of opinion as to whether state intervention is permissible in principle, to the extent that this was the case before the appearance of the Encyclical *Rerum Novarum*. Disagreements have to do more with the degree of intervention that appears necessary.)

We cannot begin to discuss the concept, solidarity, without special reference to the distinguished Belgian economist who, as the successor to Count de Coux (d.1865), occupied with great merit the chair of political economy at the Catholic University of Louvain. Charles Périn emphasized the impact of religion and the relevance of Divine law for economic life, for labor, and for regulating the use of private property. He extolled the importance of sacrifice as opposed to the self-centered bias of liberal egotism. State intervention in the economic area wins only his very guarded approval. He supports the position that Msgr. Freppel expressed at the Congress in Angers: "*Liberté individuelle, liberté d'association avec toutes ses conséquences l'légitimes, intervention d'État limitée à la protection des droits et à la repression des abus.*" It is true that this position, which limits the right of the state to intervene in order to protect rights and prevent abuses, still permits of a wide variety of interpretations, especially when it comes to the question of deciding what is an abuse. Périn had a following not only in Belgium, but also in France. Freedom to work, to compete, to organize, and moral and social reform by "private initiatives," as little state intervention as possible, those were the constantly recurring demands of that school of thought which was called "conservative." And it was made up of followers of LePlay and Périn (Claudio, Jannet, Hubert-Valleroux, d'Haussonville, Théry, Joseph Rambaud, etc.).

Let us look now at how the famous economist himself presented his views:¹⁸ We have to look for the ideal for social living in the foundation of moral order. Interests by themselves only beget activity, but these are without guidelines and moderation. Look at Europe which has surrendered itself to the domination of various interests. We follow one law then another, one power structure after another, and doctrine upon doctrine! Nothing is durable, nothing lasts, because in the narrow confines of temporal want-satisfaction everything leads to jading of the senses and fatigue of the spirit. If we want security, order, and

something which is lasting and durable, then we will have to stick by the goals and principles which the Divine moral law holds out for mankind. There is, however, a principle which dominates all of social life, which shines its light over it in all directions, and which, therefore, has to be placed ahead of all other principles: *the principle of solidarity*.

Without any doubt each man exists for himself, and his highest goal is a totally individual one - his own well-being. God gave to each one of us a soul made in His own image; and the destiny of this soul is to use freedom to strive constantly toward its most exalted archetype. But God did not simply manifest in each soul the fulness of His infinite essence. The unity of souls which society represents also contains no less clearly the imprint of His divine character. Human society, with the all-embracing bonds of a life led in community with others and in interdependence, is merely a reflection of that eternal community where the three Divine Persons dwell in the consummate unity of their infinite being....Among human beings there is everywhere the condition of solidarity, i.e., that forward and backward flowing movement of life, and that mutual permeation of one by all and of all by one, by which all members of society, at least for a time and up to a point, mutually determine their own destiny, and because of which nothing that affects the whole, remains a matter of indifference to the individuals. At the same time, nothing which affects the individual can be irrelevant for the good of the whole. Examine carefully the material and spiritual order along with all of the great institutions and facts of social life, and you will invariably find the *principle of solidarity* as their point of origin and as the law underlying their development.

That is why this principle must also be our starting point *when we investigate the conditions on which the true greatness and welfare of nations rests*. Who today, standing on the heights to which Christian civilization has brought us, would want to contest that it is this ideal of social living which encloses within itself not only the greatness and welfare of the whole, but also the welfare and greatness of all individuals. A society whose upper classes are powerful and well-heeled, but whose lower levels are seen to be suffering

under the pressure of poverty and vice, could in our time be regarded neither by politicians nor by Christians as strong and healthy. For the Christian, all men are brothers....All are entitled to the possession of those material and spiritual goods from which God Himself never excludes anyone, subject to the condition that they bring them under their dominion by labor and virtuous conduct.

An unlimited sharing of all of God's gifts by all, whether in the spiritual or in the temporal order, is something which no one has ever seen and which no one will ever see.

No matter how insistent any societies may be in stressing progress without limits, they will still always have to settle for securing their objectives within finite limits. They may strive unceasingly toward some ideal, but the ideal will unceasingly elude their grasp. Nevertheless let us be careful not to believe that all such exertions are in vain. Even though men do not succeed in attaining the objects of their hot pursuit, they will still always draw closer to them, insofar as they bring to bear in all of their relationships the laws of justice and charity which are the essential formative factors in their characters. To demand that all of mankind must enjoy the goods of this world in superabundance would be madness. But it is a part of Christian wisdom and truth to strive without ceasing against all obstacles presented by material and human nature, so that societies will be placed in a condition where, in the words of Count de Maistre, 'the greatest possible number of people will enjoy the greatest possible good fortune.'

Perin expected this goal to be achieved by his noble nation mostly, even if not entirely, from a proper exercise of freedom and private initiative, in keeping with its national character and historic development.

Among German economists, it was Adolf Wagner¹⁹ in particular who, by his overall approach and specifically by his well-thought out motivational theory, sought to break away from the predominance of individualistic self-love in the economic sphere, and to clear the way for a genuine social conception of the national economy. Wagner said:²⁰

The particular error of the older theory, of British economics especially, was the fact that it segregated man's economic nature too much from his integral human nature; and it operated on that basis alone in arriving at its deductions and propositions. It viewed man too exclusively as if he were controlled in his economic actions as well as in life itself by the prime motive of seeking after his own economic gain, and by the fear that he would suffer economic need. It did not pay enough attention to the other motives, the interactions among them and with that dominant motive and the various degrees of intensity of those motives, including the prime one, so far as individuals were concerned but also with regard to eras, nations, classes, etc. And this was neglected completely in theory, often even deliberately, but also in practical policy. This error, above all, has to be avoided.

That is why Wagner extended psychological analysis to the whole man in proper recognition of the fact that he is and always will be an integral operating entity - even in the area of economic activity. Since the quest for personal gain is especially prominent in that area, Wagner, in his characteristically thorough manner, insisted on exploring other motives, some of which were egotistical and others not, depending on their nature, their function, and their importance for theory and practice in economic life. Then he discussed at length, under the heading- "Egotistical Motives" along with and according to the quest for one's own economic gain, the motives: fear and punishment, the hope for recognition, the sense of honor, the search for meaning, the fear of shame and disrepute, and also the urge for action and joy in being active both in work as such, and in the outcome of labor as such, as well as the fear of the consequences of inactivity. What is of very special importance, therefore, is the unegotistical *leitmotif* : the force of the law of moral conduct, the sense of obligation, and the fear of one's own inner censure - the reproof of conscience.

One can scarcely expect the economist to test the aforementioned motives according to their ethical worth and their specific moral importance. However, if he - in agreement with Wagner,²¹ sees it as his task, " to judge and classify motives according to their significance for

economic life, for production and distribution, and to try to bring economically and morally desirable ones to bear more effectively and into harmony with the others, while suppressing or minimizing the effectiveness of the opposing principles," then the economist already rises above purely psychological considerations; and he is already on his way - even though he is primarily interested in the area of subjective motivation - to grasping the goal which constitutes the predominant idea underlying the whole economic science. It is that thought, that principle, which first makes it possible for economics to become a coherent science. "The objective will be the true and legitimate interest of the whole race," i.e., of the whole collectivity; and within any one individual national economy it will be the genuine and legitimate interest of the whole nation. *The overall material national welfare as the objective socially-mandated postulate* - that is precisely the critical factor which is decisive for resolving the question of national economic organization of the system which we want to call *solidarism*.

At times, economists of an ethical persuasion place the social sense side-by-side with self-interest as a second instinctive motivating force in the economy. It is true that the urge to socialize has its place among the human instincts. Nevertheless, considered merely as an instinct, one views the so-called social urge also as merely promotion of one's own individual well-being. On the other hand, the explanations of Roscher are worth noting.²²

What is fundamental in the final analysis is the opposition between self-seeking and conscience. These are two drives which are to be found in every human being, at least in an incipient or residual fashion, and they have a relationship to each other which resembles the one between body and soul. It is by conscience that self-seeking is supposed to be kept in check and from degenerating into egotism. Just as in the universe the apparent opposition of centrifugal and centripetal forces brings about harmony among the heavenly bodies, so it also happens that in social life among men the tension between self-seeking and conscience establishes a sense of community. Through that social sense there is extracted from the chaos of countless individual economic units a well-ordered organism which we call the national economy; and without it this would degenerate into a war of all

against all.

For Roscher as for Wagner, that social sense is not a merely instinctive drive. In essence, it comes far closer to the solidarity concept which we are proposing.

It is true that Wagner's doctrine has given rise to the accusation that it leads to an extreme form of state socialism. In fact, Wagner designated himself as a state socialist. Actually, as we have indicated, he goes too far in dealing with the functions of the state and the state's activity in the economic area. Yet, to repeat this once again, we prefer to see in Wagner's doctrine what is more of a decisively emphatic and pointed anti-individualistic direction, than it is state socialism - at least state socialism in an extreme form.²³ Every form of modern "socialism" negates the private ownership of the means of production and, along with it, private enterprise in principle in the economic order, or at least for some given level of economic development. That is something which Wagner can in no way be accused of. He adhered to his advocacy of the private enterprise system, also for the future. He opposed economic socialism decisively even among the older movements and in the literature of the land reformers, to the extent that they had communistic goals in mind. Wagner also expressed more and more reservations in later years than formerly, as he indicated clearly²⁴ in dealing with their criticism of the status quo. He said:²⁵

The point around which everything revolves in political economy is the old question of the relationship between individuals to the community, the combination of the individual and the social principle in the social and in the juridical economic order and organization. Whoever goes along with the older philosophy of individual and state rights in such a way that he places the individual at the center of all considerations - as is the case with the kind of British economics which stems from that philosophy - such a person will necessarily arrive at the same conclusion as the British school. Likewise, whoever looks at the dominance of private rights, especially private property rights, solely from the point of view of individual interests, viewing it in terms of the interests of the latter, will also of necessity arrive at a concept of, and an approach to, rights as purely individual,

i.e., as private also with regard to the basis of the national economy. On the other hand, anyone who looks first to the concerns of the economic community and then determines the scope of the economic freedom of the individual, along with the amount of free play which the owner of private property has over his own property, and also the limits on freedom of contract as regards the contents of the contract, and anyone who views the whole private economic order and private ownership first in terms of its influence on and operation on behalf of the interests of the community, such a person will arrive not at socialism, as is often claimed. He will arrive instead at a point of view and a doctrine which views the following as the basic economic problems: they are problems of organization of the national economy, problems dealing with the relationship between rights and the economic order, problems related to the regulation of 'freedom and property' in terms of the twin aspects of community and individual interests which are to be treated in combination, and in terms of the goal of constantly moderating the compromise between these two interests. The history of economics reveals to us the process of compromise between these interests: between the social and the individual principle. Socialism exaggerates the one, and economic individualism exaggerates the other. The impartial science and sensible economic practice and policy have to avoid both kinds of one-sidedness. Yet they have to recognize that *the social principle is and must be the dominant one*. Such an approach to the economic problem can rightly be called the *socio-economic* one; and with regard to questions of rights, including private rights, we can speak of a socially-oriented system of rights.

In the second part of his *Grundlegung*,²⁶ Wagner returns again to that compromise between the individual and the social principle in greater detail.

Both principles are rooted deeply in human nature. Even the second is not imposed on the individual artificially and by force; but it flows from the innate social nature of the individual, and from the circumstance that he is born of and into society for the community, for society, and for others. Neither of the two can, therefore, come to bear to the

exclusion of the other insofar as personal freedom and property are concerned. In fact, neither could do so, because that would go against nature. What is possible and necessary is a compromise between the two principles and between the conclusions which are to be deduced from the principles in determining the legal order that is to be based on them. This compromise can lean in one or the other direction. The more recent historical trend is toward the individual principle, and there are deep-seated psychological and cultural-historical as well as technical reasons for that. In more primitive economic conditions, but also and to a large extent in the ancient and medieval eras, we find in the area of personal freedom the subordination of the individual side; and with the exception of later Roman law, we find a restriction of those rights prevailing in the matter of property rights. There were many instances of Roman ownership, e.g., of land, based on family or clan. And private individual ownership was absent, or else it existed side-by-side with considerable common and public ownership. And the former was often subject to all kinds of restrictions in favor of communities to which the individual belonged. Confiscation for state purposes was also quite common. In the modern world the other principle - the greatest possible freedom of the individual and for his property rights, the greatest freedom of contract - has become more and more prevalent and widespread in all areas; and in law it has become, if anything, too predominant. The victory of the system of free competition is proof of that. The private ownership of land, even to a virtually total and unrestricted degree, prevails both in scope and in importance; public land is the exception, and it is confined to special categories of land, i.e., forests, etc. Royal lands have practically disappeared. Yet, the negative aspects of this development are not to be denied when we reflect on the positive ones; and in the area of politics and economics they have definitely made their presence known. It is appropriate, therefore, that we now witness the decreasing importance of that principle in the flow of history, and by a centuries-old process we are reviving emphasis on the second principle. We are again limiting and subordinating the individual, his freedom, and his property in favor of the purposes and interests of the community, the nation, and the national economy, as well as of smaller communities of which the individual with his

property are parts. Thereby the necessary reconciliation of the opposites begins. Our era has already seen significant restrictions placed on personal freedom, on the use of private property, on freedom of contract, as for example by laws safeguarding workers, liability laws, invalidation of contractual stipulations which waived liability (German Law of June 7, 1871, Sec. 5), the new social insurance laws for workers. All of these have sharply restricted property rights; and taxes and the way in which tax money is redistributed have thrust social considerations into the foreground far more than in the past. Partly in this manner and partly by other ways, our era has promoted an ever greater emphasis on community interests at the expense of the system of private enterprise. In the main, these were proper steps toward a legitimate goal. In particular, the growing influence of the communal economy and specifically the activity of the state always serve to usher in the social principle more and more as opposed to the individual principle. Thus, a new direction is in the wind, which weights the compromise between the two principles under discussion once again toward the interests of the community. This direction can naturally be carried also to the other extreme, to an unbearable restriction on personal freedom, as would have to result if the extreme socialist-communist ideas become reality.²⁷ However, if it is carried out in a reasonable manner with constant reference to concrete circumstances, it is fully justified. Everything of this nature is of necessity always in a state of flux and development. Even a reconciliation between the two antagonistic principles which may have taken place sporadically in particular times and places and nations will never satisfy permanently. New tasks will always emerge, new technical know-how, new needs, new points of view, which will prevent a state of rest and our being satisfied with the status quo, so that new adjustments in the relationship of the individual and the community will be called for. That will lead to a modified compromise between the individual and the social principle. It is possible, even probable, that the advanced nations of our time will eventually accomplish this compromise in a much more satisfactory manner in favor of the social principle than now seems plausible or even possible to us. Even then, it will certainly not be possible to effect such a compromise in which the individual principle

does not continue to play an important part, if for no other reason than because of psychological factors. To pretend that this could be done may well be the deep-seated basic error of contemporary, scientific and politically militant socialism.

2. The Socio-Juridical Position as represented by Karl Diehl comes close to our own interpretation in several respects. However, we feel that the approach which is associated with his name calls for a more solid foundation. Diehl said:²⁸

All economic phenomena are tied to certain forms of social cooperation. Economics has as its purpose to explain the phenomena which are shaped on the basis of certain prerequisite juridically structured forms for the organization of economic life.

We concur with Diehl, first in a negative sense, in his rejection of any form of economics which proceeds on the basis of the isolated individual and his wants and drives, etc. "Because economics is a social science dealing with phenomena which result from social interactions, every attempt to use the individual economizing unit as a starting point is unacceptable." We agree with Diehl also, therefore, in his rejection of:

attempts to trace all economic knowledge back to the so-called *economic principle*. This principle - insofar as it has general validity - is a useful maxim governing human transactions generally. It plays its role in technical economic considerations, but it can never be regarded as the underlying economic principle.

We agree with Diehl positively in that, 1) everything pertaining to natural laws belongs to the natural sciences and not to the social sciences, so that we reject the "natural law" interpretation of economic life and look for the underlying principle in the juridical order of economic life. Furthermore, we reject that abstract economic theory which proceeds from a fictitious "*homo economicus*," and we propose and advocate instead the social perspective.²⁹

What does not satisfy us about Diehl's socio-juridical theory is the

way in which he limits his social and socio-juridical method of analysis to one which dwells on the positive legal aspects. Diehl equates the search for "laws" stemming from a certain natural science interpretation of economic doctrine, with the quest for unchangeable true-to-life universally valid principles of law. He feels that to avoid the mistakes of so-called pure theory, one must proceed from some concrete form of society (the feudal, the guild system, or the private enterprise, capitalistic type of economy); and then one should examine the actual economic phenomena along with the positive legal norms applying in such forms of economy.

Diehl rejects the accusation that his approach makes impossible any kind of economic science which transcends a merely descriptive portrayal of economic reality, and which narrates economic history. He insists that his method, while it certainly affirms the historical character of all economic phenomena, by no means requires exclusively historical research and therefore the abandonment of theoretical research. Inasmuch as theory examines the relationship and the logical links between economic phenomena, such an approach definitely results in an economic theory.

We are in complete sympathy with the value of historical research and the determination of causal relationships, but we still cannot accept the idea that a theory which confines itself to interpretations of the phenomena of a single epoch of economic life can be regarded as adequate for a general economic theory. To develop that kind of theory it is necessary that we go beyond such positivistic limitations on our research. We have to reach outward to the real underlying economic principles. These principles, as is the case with juridical principles, inasmuch as they are mandated for persons, society, the state, property, and the economy, are not laws of nature, but they are derivatives of the natural law as human reason gives expression to that law.

They are principles which find their realization not only in some particular form of society, but they are valid in all forms of society and find appropriate application in any society which remains in harmony with reason. The variety to be found in economic phenomena causes no problem. There are no permanent economic phenomena in the sense that they always remain exactly the same. But there are constant universally valid principles of what is right. And from the point of view of these unshakeable basic truths, we are also able to make objective judgements about the various forms of society, about the way

property is viewed, etc. What we, in fact, expect from and demand of economic theory is not merely an explanation of the phenomena, e.g., of the private enterprise system or the Communistic-Bolshevist structure of economic life. We also expect a scientific evaluation of these systems; and therefore we do not merely want to be instructed about a given order which perhaps does not even deserve to be called an "order." We also call for an explanation of and the establishment of a *correct order*.

If the socio-juridical approach is built on this expanded solid foundation, then it will deserve first place among all of the approaches which are in contention today.

3. The Fuller Development of the Solidarity Concept through Roesler's Doctrine on the Law of Society.

Hermann Roesler ranks at the top among those in Germany who initiated the battle against the individualism of the old school of economics. We will present his views³⁰ briefly, since we shall be reviewing them in the conclusions emanating from the substance of his teaching, which we will organize into a unified body of doctrine.

Karl Fr. Hermann Roesler³¹ was born in 1834 in Lauf near Nürnberg, and he worked as a young lawyer in the courts and on the legislative committee of the Bavarian chamber. After he had received his doctorate in jurisprudence at Erlangen and had become a member of the political science faculty at Tübingen, he qualified himself as a teacher in the field of political science at Erlangen University during the winter semester 1860/61. His publication, *Zur Kritik der Lehre vom Arbeitslohn*, which came out in 1861, won widespread critical acclaim. Now just 27 years old, Roesler took the position as professor of political science at Rostock, in place of of Nasse who transferred to Bonn. There the philosophy faculty welcomed him by bestowing an honorary doctorate. After 17 years of academic service and much scholarly publication, this learned man, who in the meantime had converted to Catholicism, accepted an assignment in Tokyo at the Imperial Office of External Affairs, where he served for 15 years. He succeeded in doing what he was sent to do - reorganizing the political system there along European lines. The task involved revision of the legal as well as the political system. His greatest achievement, however, was securing freedom for the Christian religion in the land of

the Japanese martyrs. That was an accomplishment which would be of inestimable importance for the development of living conditions there. The ultimate joy which came to the scholar and statesman when he returned, a sick man, was his only son's entry into the German province of the Jesuit order.³²

A whole series of publications provide testimony as to the extraordinary diligence and talent of Roesler. These include among others: an article "*Über den Wert der Arbeit*", in *Zeitschrift für die gesamte Staatswissenschaft*, Vol. XVI.; "*Über die rechtliche Natur des Vermögens der Handelsgesellschaften nach römischen Rechte*", in *Goldschmidt's Zeitschrift für Handelsrecht* 1860/61; *Zur Kritik der Lehre vom Arbeitslohn* (1861); *Der deutsch-französische Handelsvertrag*; *Über die Grundlehren der von Adam Smith begründeten Volkswirtschaftstheorie*, 2nd ed., Erlangen 1871; "*Über das Wesen des Kredits und die Kreditnatur des Darlehens*", in *Goldschmidt's Zeitschrift für Handelsrecht*; "*Zur Lehre vom Einkommen*," in *Hildebrandt's Jahrbücher* 1868, I; *Zur Theorie des Wertes*, *ibid.* II, 1 and 2; *Zur Theorie des Preises*, *ibid.* 1869, I; *Lehrbuch des sozialen Verwaltungsrechts* I, Erlangen 1872; the same II, *ibid.* 1873; *Berufsrecht, Erwerbsrecht*; "*Über die Beziehungen zwischen Volkswissenschaftslehre und Rechtswissenschaft in Deutschland*," in *Hirt's Annalen des Deutschen Reichs* 1872; *Über die geschichtliche Entwicklung der volkswirtschaftlichen Ideen*, Rostock, 1872; "*Über Verwaltungsgerichtsbarkeit*" in *Grünhuts Zeitschrift für Privat- und öffentl. Recht der Gegenwart*, 1874, I; "*Über Enteignungsrecht*" in *Tübinger Zeitschrift für Staatswissenschaft*, 1874, Vol. 3.; "*Die alte und die neue Nationalökonomie*" in *Grünhuts Zeitschrift*, 1875, II, Vols. 2 & 3; "*Der Oesterreichische Verwaltungsgerichtshof nach dem Gesetz vom 22 Oktober 1875*," *ibid.* 1875, IV; *Gedanken über den konstitutionellen Wert der deutschen Reichsverfassung*, Rostock 1877; *Vorlesungen über die Volkswirtschaft*, Erlangen, 1878; *Handelsgesetzbuch für Japan, Entwurf nebst Kommentar*, 3 vols.

Roesler³³ held that Adam Smith omitted the ethical, organic, historical interpretation which ought to be present in a scientific analysis and judgement of all human, social conditions, since this is indispensable for a correct understanding and a successful, practical structuring of economic life as being a part and parcel of social life.

1. Materialism equates law and necessity, because it makes no distinction between man with his spiritual free constitution, and mere

matter. Likewise, Adam Smith, although not a materialist, by virtue of the so-called empirical moral philosophy contained in his *Theory of Moral Sentiments*, where he reduces man's moral behavior to the work of natural instincts, contributed essentially to, and shares responsibility for, imparting an increasingly materialistic character to economics. Therefore, it did not develop with a valid grasp of what are *genuine economic laws*. The ultimate and decisive laws governing the economy can be derived only from the correct conception of man and of society. That knowledge leads us inevitably into the spiritual-moral dimension. Spiritual and moral laws, inasmuch as they govern all of human life, are in the final analysis also valid for the economic aspect of life. As the spirit prevails over matter in man, so the law operating in the spiritual order prevails over laws which apply in the material order. It is possible to talk about a purely technical, purely economic side of economic phenomena. But no question or fact of economic life which is in any way complex is without its moral aspect. Even though it may not be the task of economic theory to determine what those moral laws are, or to establish their scientific validity, it must nevertheless be aware of them and acknowledge their application in the entire area dealing with the actual structuring of economic life; and it must also give them appropriate recognition in all theoretical considerations and deductions.

2. Once a flawed, one-sided empiricism, or a completely unfounded materialism has dimmed man's insight into the moral character of the laws governing economic life, there can be small wonder that the correct grasp of the social-organic nature of the highest laws of economics remains beyond its perspective. The older economics regarded society and the economy as a mere sum of factors operating in isolation from each other without any inner bond. Therefore, it took as its point of departure for its economic analysis the economizing individual, the individual profit-seeking entrepreneur who sees in the economy a field for applying his energies in what he regards as, first of all, his market domain. However, the exchange relationship as such is not enough to restore the social bonds which are needed to provide and preserve the health of society. It will not make individual liberty conform to the unity of the whole, because of its nature it is as divisive as it may be unifying. In fact, it is the more divisive, the more the exchange process - freed of any moral considerations - takes place as

though the opposition of interests expressed in demand and supply provided the only or ultimate law. As opposed to that view, Roesler pointed out with all the more urgency, that it is precisely in the economy that man cannot be regarded as an isolated single being, but as a social one, and that therefore the highest laws of economics are at the same time social laws,³⁴ i.e., that part of spiritual-moral laws which has as its particular object the establishment and extension of the moral order in the area of social living conditions.

Thus, it is not the immediate interests of individuals as such, and laws which have to do with his legitimate interests, which are at stake here. These certainly should also be taken into account, to the extent that full harmony without contradiction and opposition ought to exist between them and the way the economy is structured. But critical laws here are first and foremost, by their very nature, social demands on the individual and on the community as a whole, with reference to the purposes of life in society. Each individual and the community, along with those in authority, have to comport themselves in such a way, and establish economic conditions in such a manner, or enable them to be structured in such a way, that the ultimate goal of life in the political order and in society - the genuine welfare of all and the free development of the personalities along with all of the wealth of their particular talents and capacities - can achieve their full realization for every member of society according to the full extent that this is possible. It is this ultimate goal which social coordination and the actual reciprocal dependence and service in any society characterized by division of labor, as rooted in the moral law, are supposed to serve according to God's plan. But that beautiful plan will be achieved only if all factors, the individual, society, and the state will actually work to establish that reciprocal dependence in such a way as will foster the welfare of all and work for the happiness of all, in other words, where the principle of *organic solidarity* attains its full practical recognition and application.

If *solidarity* is represented here primarily as something which functions within the framework of social legislation, it should nevertheless in no way be restricted in the way it operates by any kind of legal limitations. Extending beyond these, socially unifying and conciliatory free *acts of charity* in a genuinely Christian society can and will serve more effectively to provide the required and ultimate catalyst for all of social life and for all transactions between man and his fellow human beings. Without love, any society remains merely a

torso! That is so evident that one need even not pause to ponder it. Therefore, it is all the more important, however, that we respect *the importance of solidarity as something which is mandated by social justice for establishing balance among social and private rights.*

The expression, "society", has come to have various connotations over the course of time. In all individualistic systems it is understood more in terms of a superficial co-existence rather than as groups of people held together by some inner bond. According to the organic concept of society, on the other hand, the extrinsic union is regarded merely as the prerequisite or the "raw material" of political society in particular, rather than as its "formal" essence. Society is essentially a community held together by an interior bond. If we view society from the perspective of a superficial co-existence, then the individual person emerges with his individual independence and freedom at the center of the whole nucleus of individual rights; and these remain intact even though he participates in the whole as a part and parcel of it. On the contrary his individual rights are best safeguarded and protected by the fact that they represent the most essential, general purposes of life in society with others. In that structure of individual rights, the single will of the free individual is dominant, and the independent personality and individual rights of the natural or legal person find their full expression. Any unauthorized incursion in the area of individual rights from outside is guarded against by civil law, and eventually by criminal law wherever the incursion also represents an attack on the orderly structure of society itself. Especially as pertains to matters dealing with contracts, what applies is the proposition that so long as one is dealing only with the private interests of the individual person, the content and not the consequences of the legal transactions are all that matters. If the content is legally acceptable, and if the transaction is undertaken freely, the contracting parties themselves must be prepared to bear whatever consequences may result. It is different if the consequences have an impact which goes beyond the area of individual rights, affecting a third party or extending into the area of the rights and interests of society at large. Then it is not merely the individual will of a single person which is decisive. Individual independence and freedom then turns out to be more limited, and we have instead dependence which is essentially conditioned by social bondedness and by the unity and purpose of society. In general, it is possible to formulate this principle as follows:

Wherever the impact of any action or failure to act affect the welfare of the whole, there the arbitrary will of individuals runs up against its limits, even if we are talking about transactions relating to private property or to some other form of economic or profit-making activity. In all matters dealing with the practice or application of personal or material rights, *the rights of the community stand above the interests of the individual.*

Just as in political society the area of private rights must subordinate itself to the area of public rights, so also in the national economy, specifically, *the area of private economic interests must defer to the collective interests and common objectives of the national economy* as required by the demands of *social justice*. That does not imply some kind of one-sided sacrifice by the individual on behalf of the community's advantage. The individual still always gets more than he gives. That is because it is the linking of individuals and individual economic units to a higher social unit and also, where the organic principle is carried out fully, to occupational groups, which makes it possible for them to work out their livelihood with total effectiveness and to its highest degree of fulfillment. Also, the whole person will not be pre-empted, nor will the whole sphere of individual competence be usurped by a socialistic society. Private rights will not be squelched by public rights, nor will private economic activity be eradicated by public economic enterprise. Only those relations, transactions, and omissions come into question which always or in particular historical contexts are of a far-reaching social character and have widespread social significance. In such cases, it is not freedom or self-determination and personal responsibility which are being simply nullified, but rather that "wild," absolute freedom, inasmuch as *man does not live in isolation*, but *he functions freely* within society. Thus, he must not forget that he is also a member of a unit, a part of a whole which extends beyond his mere self.

Along with Roesler, we would like to develop that a bit further using an example.

In his economics, Adam Smith likes to extol the extraordinary benefits of division of labor - considering it in its technical aspects. He rejoices in the increased productivity of labor and he, in fact, praises labor as the exclusive source of the wealth of nations. However, that praise of labor finds scant resonance in its social consequences so far as the economic and social condition of the working class is concerned.

John Ruskin lamented, "Although England is deafened by the noise of its spinning wheels, its people have no clothing to wear; and although it is blackened by the coal it mines from the earth, its people die of the cold; and although it has sold its soul for profit, its people are starving." Remarkable irony! It was from the country where Smith's industrial system operated freely and completely that socialism was first able to derive its exploitation and immiserization theories, its theory about a natural progressive deterioration of the condition of the worker. Nowhere does the absolute folly of depending on private interests for regulation, and on the idea of private rights and private enterprise on which classical economics depends, come to the light-of-day moreso than in the area of the labor contract and working conditions. In other words, who could deny that we are in no way dealing simply with a casual relationship between two single individuals, on the basis of a free contract which is geared to pursuing one's own personal gain? What we are really faced with is a constantly recurring most important relationship involving vast numbers of people in the nation and affecting their most vital interests - a relationship which has a crucial bearing on the weal or woe of the entire nation.

The bond between labor and those who own property is a social fact in the most relevant sense of the word. This bond has ramifications which extend in all directions and throughout every sector of economic life; and it extends also into the spiritual and moral spheres. It is decisive for the general welfare of society and for the successful development of the general cultural condition of the whole nation. Ought we therefore, as individualistic economics proposes, entrust the structuring and formation of this relationship entirely to the "free" inclinations of the two contracting parties, one of whom, when he acts as an isolated individual, despite all political and civil liberty and formal equality before the law, nevertheless enjoys very little actual freedom in this process? Is treating the relationship in that process according to merely legal and economic considerations supposed to be adequate to guarantee the inviolability of the worker's person and his property, and to assure both of the contracting parties that the contract will indeed be honored? The unacceptability of such an idea is already widely recognized today, and the individualistic point of view has already begun to lose favor. In fact, it has done so to a greater or lesser degree both in legislation and in the economic science. We have begun more and more

to regard the employer-employee relationship as one which involves not merely private rights, but which goes beyond that to involve also social rights. When it is initiated, designed, and put into operation, commitments and provisions related to the area of social rights must take into account the material inequality between the employer and the employees, which is an actual fact, so that the workers will be provided with indispensable legal protection.³⁵ Then the social character of labor will get the proper consideration which it deserves, as will also its great immediate importance in the life of society and the rights and status of a great component part of society, and of an honorable and important class of people involved in the employer-employee relationship, whose members find the living conditions of themselves and of their families set and limited for an extended period of time by the labor contract.

3. We have to regard it as reflecting some degree of nationalistic bias when Herbert Spencer asserted that England was a nation which had reached the highest level of development - the industrial stage - while the European continent must be satisfied for the time being with the warrior type. However, to the extent that classical economics derived its absolute, unchangeable "laws" of economics from conditions then applying in English economic life, it was shaped not so much by national factors, or simply by the urge for comfort and convenience which seemed dominant in the English milieu. It was influenced far more by the ideology of the Enlightenment philosophy which established rigid, absolute, natural-science view of human life. Man and society are actually conditioned by historical reality. The practical validity or application of all general principles and laws ultimately depends on the concrete conditions and needs of the hour. It cannot be an abstract, schematic thing, and it also is not one based on natural necessity. Instead, in its particular form and development, it is under the influence of freedom and of the ambience of particular times and places. For example, it is a truth which is valid in all times and places that the common good is the goal of political society, and that not merely the power of the state, but also individuals, groups, and classes, in their own way and in their proper context as members and parts of society, also share responsibility for the common good and have obligations toward it. However, the manner and the particular determination of the form and ways in which all of the factors involved for realizing that goal, insofar as the individual parts of the social whole can play their respective roles, and the delineation of the areas within which a

narrower solidarity can be brought to bear - all of that is subject to variations deriving from the given historical context. The specific makeup of public bodies is not entirely arbitrary. In their broadest dimensions they derive these mainly from nature, but in their concrete outlines they derive them also from historical circumstances and from their own particular insights and choices. They represent historical outgrowths and variable expressions of the universal law of human life according to which, for his continued existence and development, man finds his natural fulfillment in the family, and beyond the family, by uniting himself with extended social bodies, the highest of which is the state. The particular forms and structures in which these social bonds find expression, however, are not always the same in their actual historical manifestations. They are of varying form and importance: family, clan, village, social bodies based on land ownership or the ownership of other goods, guilds, cities, occupational organizations which are either voluntary or based on tradition, all existing with and alongside the highest natural form of society.

Likewise, what the individual can and cannot do for the whole, the reciprocal give-and-take between the individual and the community, between the higher and lower social bodies, that too varies both quantitatively and qualitatively in particular historical eras. Areas of life like the economy, which functioned once upon a time within the narrower confines of domestic, village, or city economy, and when those were more or less self-contained so that they were scarcely affected by the state, were later brought more and more under the aegis of the state as technology and commerce underwent great changes. At the same time, the boundaries of the public economy also expanded. Many an area became subject to the expanding purview of the economy of a community or even of the whole national community, because it was only in this way that it could fulfill the cultural goals which the community, in the pursuit of its natural objectives, had to fulfill fully and totally under altered historical circumstances. It may happen that sometimes proper bounds were overstepped. But that only serves to indicate why today we need an even clearer and deeper understanding of the highest social principles in the critical period of transition to new forms. It does not mean that there are not also variable factors along with the permanent ones in human relationships, or that in today's altered historical circumstances certain institutions may not have

historical justification which was not present earlier and which is relative to given historical conditions within the framework of the same abstract principles. These abstract principles are, of course, in conformity with the same laws dealing with social obligations that are valid for all times. Without a doubt, socio-psychic factors,³⁶ prevailing ideas, and general public opinion in every era will also come to bear on the relevance and application of the highest laws of social and economic life. This relevance and application will be different when contemporaries rise up against an absolutist bureaucracy in an enlightened despotism, than during periods of social reaction against an individualism which gets carried to extremes.

4. Despite all changes in objective circumstances and in intellectual currents, the highest social principles as such nevertheless remain unchangeable. Therefore, Hermann Roesler has clearly indicated the keystone on which the organic-historical social and economic constitution has its firm basis and finds its full scientific expression. According to Roesler, laws governing society, as we have indicated, are not ones which operate according to mere natural necessity; but they represent an ethical imperative, which stems from the "spiritual essence of man and his relationship to the divine Essence."

It is obviously this relationship which provides us with the critical factor in the definition of such laws. Without it the human and ethical character of the law and its distinction from mere natural necessity would simply fall flat.³⁷

As regards this matter, we find Thomas Aquinas saying: "*In ipsa rationali creatura participatur ratio aeterna, per quam habet naturalem inclinationem ad debitum actum et finem; et talis participatio legis aeternae in rationale creatura lex naturalis dicitur.*" (S.Th. 1,2,q.91,a.2) "It is apparent from this that the *lex naturalis* referred to here is something entirely different from the way in which the expression, natural law, is used commonly today."³⁸ We would add, it is also quite different from the individualistic natural law of the Enlightenment, which divorced man from any meaningful social cohesiveness. It was not the point of departure of Roesler's intellectual approach, but it was instead its highest achievement that he arrived at a clear synthesis between a genuinely historical and an authentic natural law approach. In fact, it is only if the social laws have reference to the supreme

lawgiver - God - that they achieve the stability which is implicit in the concept and essence of law, and by which they provide the sole reliable guarantee for their successful application. Even if the historical context changes, even if the application of the law has to operate differently at different times and if it has to resort to different ways and means in one or the other era, despite all exterior variations the same law functions behind the scenes and remains essentially the same. The reason it stays the same is because it is a part of the eternal law, in other words, of the will of God which establishes order in the world, and which manifests itself to the thinking spirit in human reason as the natural law. If, on the other hand, the highest laws of social life do not have their ultimate and most deeply rooted foundation in God, who alone is unchangeable, and if we try to derive them solely from vacillating human thought, exploration, and fickle will, and from varying human circumstances, then they will simply not provide a solid foundation for any era. Their validity can be called into question at any time - and this can lead to the ruination of nations and states.

Otto Gierke³⁹ also stresses the ethical significance which goes along with the notion of genuine unity in the community:

Only from this (ethical) sense, do we arrive at the notion that the community is something valuable in itself. And only on the basis that the whole has greater value than the part can we establish the moral obligation of a man to live for the whole and, if necessary, to die for it. If the nation is in reality merely the sum of the many individual citizens, and if the state is merely an arrangement set up for the well-being of born and yet unborn individuals, then, although you may force an individual to place his energies and his life at their disposal, you cannot impose that on him as a moral obligation. In that case the lustre which in all ages illuminated the high moral ideal of laying down one's life for the fatherland loses its shining appeal. Why should any individual offer himself up for the well-being of many other individuals who are no different than he? So far as the moral relationship of individual to individual is concerned, there is the commandment: Love your neighbor as yourself! Extreme individualists who have an idealistic turn-of-mind, like Tolstoy, want to establish the life of human society on this law alone; and lo and behold, they fragment the state and

promote anarchy. The religious complement of that law of love of neighbor is to be found in the law: Love God above all else. That establishes, first, the kingdom of God which is not of this world. However, this means also, so far as the earthly community is concerned (according to God's law) - Love the whole, more than yourself! And that makes sense only if the whole is something of higher and of greater worth than the mere sum of the individuals.

4. Solidarism as a System: With Regard to the Concept and its Significance. Solidarism, considered in its most general sense, is the social system which gives full expression to the proper solidaristic bond among people as such, and as members of the natural communities - the family and the state - in accordance with the nature of the respective communities. At the same time it encourages the fullest possible development of cooperative, representative, and corporate associations according to occupations and stations in life, as adapted to given historical circumstances, on the firm basis of a community of interests and in an orderly juridical manner. Considered in the broadest terms possible, the essential meaning of the solidarist system is to be found in complementing and regulating power by binding people together in solidarity, while exercising mutual consideration and concern in accordance with the demands of justice and charity, by a well-ordered cooperation and reciprocity within the various forms of natural and free, public and private communities, and in accordance with their natural and historical peculiarities, toward the goal of securing the true welfare of all involved. In others words, it is the sense of community without exaggeration, which shows due regard for the rights of the individual person, but at the same time of the social community, for freedom as well as for order, for individual autonomy as well as for social responsibility.

We are dealing here with a manifold pattern and variety of solidarity.

1. *The universal solidarity of the entire human race*, which enables us to see in our fellow man a natural companion and, in fact a brother, because of the common relationship which we all share toward God and to Christ, so that it assures him just and charitable treatment. This universal human solidarity deserves application in all situations where man approaches man in the family, in the state, and in economic life, as well as in international relations and in all contacts between individuals

and among nations.

Man is a unique type of being who, because of his human nature, is capable of and in need of fulfillment. That applies also to races and nations. Because of their specific nature and capacities, these are able to promote their own welfare reciprocally by their cultural endeavors.⁴⁰ But along with some universal weaknesses which go along with human nature they also are subject to certain shortcomings which give rise to the possibility of conflicts. It would already signify great progress if we would come to recognize that for the human race there are no national boundaries, and that humanitarian obligations and obligations in Christian charity extend to the whole human race. However, mankind is not merely a species which has certain features in common. It is in fact a *community* - the unique great *family of God*. Anyone who denies that is not in a position to pray the *Our Father*, without lying to himself. If we combine this solidarist principle with the universalistic concept of humanity as being a single species, that will protect us against exaggerating the idea of nationality and against deifying a race or a nation, as well as against pagan nationalism. And only in that way will we provide the secure basis for the hoped for international law, the coming together of nations into universal and closer-knit member communities as is required by their national welfare, and also without chauvinism and the violation of the rights of others.

2. *The Solidarity of the Family.* Not the dissolution of the family which the capitalistic era has brought with it, nor its abolition according to socialistic principles, but rather the restoration and nurturing of the family with its proper solidaristic unity and pristine vigor, and along with its religious purity and dedication - those are demands which ought to be made also in the interests of a healthy national economy.

3. *Solidarity Among Citizens of the Same State*, such as is established and built up on the basis of the political community rooted in the natural law, and on the basis also of its purpose and common solidaristic obligation of citizens and state authorities towards that purpose, and as this fosters in a special way the proper sense of national community also in the area of the economy. Genuine, healthy patriotism is inconceivable without such national civic solidarity.

4. *Solidarity Among Colleagues at the Occupational Level and in Vocational Groups* - to the extent that these serve to represent and

promote their legitimate common interests, and beyond that, because the corporate system adjusted to the circumstances of time and place is necessary to achieve a complete organic structuring of society, provided always that there is responsible subordination to the solidarity of the higher political community.

In the narrower sense, solidarism has to do with the solidarity of citizens who are members of the same political state, and also with occupational solidarity as we have already stressed. But it also always assumes universal human solidarity. In that sense, the principle of solidarity emerges as the *organic* principle, in fact as the principle of *moral organism* which we have become familiar with in our study of the nature of human associations⁴¹ and of the state.⁴² Economic solidarism would then constitute for us no more than the *organic moral conception* of social life in a politically unified national community, with systematic application *to the national economy*. In still other terms: national economic solidarism is that social system which, proceeding on the basis of the moral organic conception of the social life of the nation, calls for organization of the economy in conformity with the principle of solidarity. That means a kind of organization which serves the national civil community and its common purpose according to the requirements of social justice. It provides for the complete organic structuring of society with due regard to given historical contexts, while preserving the legitimate sphere of activity of colleagues in the same occupation who are banded together in narrower organizations. And it accomplishes all of that while preserving the autonomy, independence, and particular responsibilities which are rooted in the natural law, of individuals, individual economic units, and organizations.

5. Solidarism as Compared with Individualism and Socialism. 1) The *organic* factor in solidarism stands in direct contrast to the individualistic principle; 2) however, the moral organism factor negates the collectivistic principle.

Political society in the form of the state is, as a matter of fact, not a mere aggregation of atoms where, as if by some mechanical action and reaction, the common good automatically results (individualism). Nor is it a mechanism in the sense that all of the movement of its parts stems from their direct or indirect contact with the center (socialism). It is rather: 1) an organism in which: a) an intrinsic principle (authority)

promotes and preserves order and harmony in the service of the purpose of the whole organism in proportion to what that purpose requires; and where the various functions in society find their expression most effectively in the form of occupational social bodies (organic structuring and unity). b) Thereby every individual part turns out to be conditioned by the other parts and their activities, and also by the community and its welfare, insofar as its own welfare and development are concerned., (*solidarity in practice*).

Political society in the form of the state is: 2) a moral organism, a moral unit made up of free beings. a) The individual person remains autonomous if for no other reason but because of his eternal destiny. He becomes a member of society, equipped with natural rights which do not come from society, but which, instead, society is required to recognize and protect. He is a member of society, but not merely a member of society (*independence and personal accountability*). b) The bond which embraces all is moral obligation; as it turns out, all are bound together in solidaristic fashion (joint liability) in terms of their concern for the general welfare by obligations in justice and with regard for the welfare of their neighbor, but beyond that, also by the law of charity (*solidarity as an obligation*).

We can clarify further the difference between solidarism, individualism, and socialism by taking note of the various meanings of the word, *society*, as it applies in these three systems.

It is not without some justification that Georg von Mayr once said:⁴³ "To treat the notion of state and society as though these were somehow opposed has become the main factor in promoting misunderstanding in the study of society." However, if we take the word, "society", not as applying to any particular form of society, but merely in its most general sense, as a kind of area of economic relationships,⁴⁴ then it is possible to use the distinction between the state and "society" for promoting an understanding of those three great systems which are based on different social and economic philosophies. These are what trigger the great controversies of our time.

1. So far as the individualistic, atomistic conception is concerned, society as the conduit of the economic process is merely a *sum*, an *aggregative concept*, an *universitas*, the plain and simple co-existence of independent economic units. These come into contact with one another only to the extent that they enter into commercial dealings to serve

their own individual interests. This society, therefore, rates as a "system" of freedom, and it is established alongside the political organism as a completely autonomous part of national life, which in a certain sense operates alongside the state. That this society was forced by practical considerations to make concessions, especially in the economic and social policy areas, despite its underlying individualistic bias, does not alter its character and its specific tendencies.

2. The *socialistic* system sets aside that fragmented economic organization by "socializing the means of production," and it replaces them with an all-embracing communal economic organization. What you get then as the agent of the economic process is not the *universitas* of free, private economic units, but rather the *union*, the *societas*, sometimes in the form of the state unit - the political society which is historically inevitable (state socialism);⁴⁵ or else, where the historical state is overcome and submerged, you get the hypostasized commonwealth of economic relationships, the collective society in the form of a kind of universal economic commune as envisioned by the democratic socialist ideology of the Marxian stripe; or if socialization of consumer goods is also intended, you get Bolshevistic communism.

3. Finally, for the *solidaristic* system, society as the vehicle for conducting the economic process is not something which exists, more or less, alongside the state and independent of it. Nor is it a kind of cooperative economic association which eventually dissolves the state - thereby abolishing all independent economic units by absorbing them into itself. What you have instead is *society* as a kind of half-way house between *universitas* and *societas*, between the multiplicity and the union, and not a mere multiplicity of independent economic units. Instead, it represents *an organic unit which stems also from being a part of political society and from the purpose of that society*. Briefly, *society is the nation, complete with its economic membership - therefore, a solidaristic community where the purpose of the state is the controlling factor*. In this sense, unity combines with diversity; and the notion of freedom combines with the notion of unity.⁴⁶ The diversity, freedom, autonomous purpose, independence and accountability of individual economic units are not done away with. The state does not take the place of society, and the state as an economic apparatus does not usurp the national economy, any more than "society" in the socialistic sense takes the place of the state. Instead, the national economy is a *component part of the social life of*

the politically unified national community. It does not simply operate alongside the state, but within the politically unified national community, and it derives its own unity from it. The purpose and authority of the state apply also in the "commonwealth of economic relationships;" the economizing subjects also do not cease being citizens and cooperators in the state while they function in the economic area, even if and where their economic actions and interests extend beyond the sphere of the state into international commerce.

Briefly then, the national economy according to the solidarist schema continues to be organized on the basis of *separate economic structures*, not as a collective economic enterprise. However, this diverse economic structure does not have an atomistic but rather a solidaristic (thereby communal) *moral-organic character*. Let us restate this once again. 1) It has an organic character in a twofold sense: first to describe the relationship of the individual economic units to the whole, and also with regard to the way in which the economic occupations are formed into organic members of the whole. 2) It has a moral character, insofar as the economic subjects are morally obligated to subordinate their endeavors to an order established to fulfill the overall purposes of the state. 3) It has the character of a moral (not a physical) organism, because the economic subjects are in fact free human persons whose own personal responsibility and autonomy get due recognition.

To set forth the basic meaning of the issue that we are discussing, a more careful investigation of the three systems is in order, even at the risk of some repetition; and that ought not to be looked upon as mere verbosity.

What is the status of the citizen within the national community, and what is his relationship to this community? The answer to these questions can vary widely depending on what speculative or general historico-philosophical view of the state and society, and of political and social life we may entertain.

1. Individualism does not visualize society⁴⁷ as having any moral-organic unity which is directed by and subordinated to the overall social purpose. What it refers to as "society" is for it a mere mechanism - an interaction among individuals.

The doctrines of authors who are dedicated to individualism do in fact vary in some respects. That makes it difficult to offer a definition of individualism covering all of their various notions of it. There is

general agreement in their insistence on freedom: the individual is supposed to have complete freedom in the national community so that he can develop fully and apply his energies and abilities to securing his own interest: freedom in competition, freedom in domestic and foreign commerce, freedom of contract, freedom in the pursuit of gain and in the use of private property, without any restriction by social and political factors. Generally, there is also vehement opposition to any kind of corporate social organization and state intervention. We find this opposition to state limitation of freedom among the Physiocrats, in classical economics, and also in the campaign against "statism" as found in Spencer's sociology. We find it in the "philosophy of inequality" which regards the "cult of selection as showing us the path to progress in the history of mankind." (Pribram). We find it also among the modern and most recent supporters of free enterprise. And we find the principle of individualism carried out to its logical, absurd conclusion in anarchy which rules out any authority at all. Overall, Lassalle's description of the state as the "night watchman" best sums up the individualistic thought pattern. The free action and development of the individual is supposed to accomplish everything. The state stands by. Its task is confined to that of the night watchman who sees to the safety of person and property. The distances between people which emanate and are made possible by varying natural differences in individual capacities, progress without any interference until they reach the point of most extreme contrasts, where they therefore bring about a complete fragmentation of society.⁴⁸

Individualism would not, as a rule, deny that abuses could and actually did appear in social and economic relations. However, state intervention is not the answer for coming to grips with them. In fact, it would probably do more harm than good. There is a "natural" order which calls for freedom and which both in principle and in practice obviates state intervention. There are "natural laws" of economic life on whose unimpeded operation the well-being of nations depends. We have only to recall the doctrines of Hobbes, Mandeville, Hutcheson, and the Physiocrats, and the great esteem placed on the instinctive urges, especially the importance of the love of self in economic life, by Adam Smith and even *moreso* by his disciples. Throughout, the proponents of individualism display a very strong opposition to all metaphysics and to all speculative rational insight and knowledge. They are entranced by the natural science view of social and economic life, whether these are

considered as static - in a state of rest - or dynamically, according to the criterion of progress. There was this urge to discover "exact" laws, and a preoccupation with sense perception in both external and internal observation, rather than with principles; also with social and economic "phenomena" rather than with free actions by morally and legally responsible human beings, etc. If then, according to this way of thinking, nothing is to be expected to come from a reasonable, planned reform which would disturb "nature" and violate "natural laws" and the "natural" order, then overcoming social and economic abuses is, in fact, to result from the unimpeded operation of natural factors and from the freest possible development of individuals. And such development and fulfillment of individuals need not exactly always be understood as their moral fulfillment.⁴⁹ However, the state now and in the future is to limit itself to providing for the safety of persons and property and the protection of free contracts. Yet, the defenders of the individualistic system were prevented in many ways from fully carrying their scheme into operation. Their approach was too sharply in conflict with the needs of the present time; they could have had more appeal in a period when people suffered too much from state privilege. In an era when plutocracy prevailed, the noble song of individualist freedom loses its fascination and compromises its friends too much. For that reason liberalism too was prepared eventually to make all kinds of concessions.

2. Democratic socialism lapses into the opposite extreme from individualism. The collective "society" which it calls for or expects to arrive at some future time represents genuine unity; but it is a kind of unity which obliterates the independence of individuals, absorbs the individual and loses him in the universal economic cooperative which is to replace the state. The individual is merely a "comrade", and not an independent economic personality. Society alone is the mistress of the means of production, the directress of production and of its distribution. "Natural" rights of individuals and of families get no recognition and are not protected against the omnipotent role of society. Once society is organized in that unified pattern so as to become the subject of the economic process, free competition disappears as having been the cause of anarchy in production, as does private ownership of the means of production, because it had been the plain and simple reason why one social class became subservient to another; and classes along with the

class-structured state will also disappear. The economic destiny of all will be equal, and freedom will cease to be the privilege of class. Whether equality and freedom can so easily be reconciled in this manner, whether equality under the dominance of the one supreme master - society - can guarantee liberty for all, and whether equality of economic status can prevail in the long-run without continuous suppression of the natural differences in individuals, which keep asserting themselves, those, to be sure, are puzzles which socialism will have a hard time solving. - Even state socialism, insofar as it is really socialism, does away in the same manner with private ownership, along with freedom and independence in the area of private enterprise.

3. *Solidarism* tries to avoid the fallacies which are contained in both the individualistic and the socialistic system, while trying to retain what is right in both of them. It comes to terms with the importance and needs of the individual and with individual differences, but also with the requirements which are part and parcel of living together in community with others, and which are the logical outcome of such social living.

The state as political society is not merely a multiple or sum of virtually independent individuals who merely co-exist side-by-side in a loose kind of reciprocal relationship. As we have indicated, it represents instead real moral organic unity binding together individual citizens and associations into a social community, where there are communal responsibilities of the whole body toward the members, and by the members toward the whole body. It does this without absorbing the members and without making them merely citizens or comrades in a universal commune.

Instead, solidarism preserves the multiplicity of independent economic subjects. It seeks no collective organization where the state and society are turned into the sole subject and conductor of the economic process. It also has no wish to abolish the state, as this has come down in history; in fact it does not subscribe to the belief that the state will eventually wither away. On the contrary, solidarism upholds statehood and strengthens it. If it regards the state as something more than the night watchman, it nevertheless rejects any intervention by the state which would arrogate to the state what citizens and their organizations at various levels are able to accomplish by themselves. An omnipotent state as proposed in Hegelian philosophy has as little place in the solidaristic system as does the omnipotent society of

Marxian socialism.

No system maintains so steadfastly the fact that the individual is not merely a member of the collectivity and not a mere means for the purposes of the whole, but rather that he is an autonomous person with his own ultimate goal. As we have seen, man as man is provided by nature with his own tasks and purposes; and therefore he also has natural rights. These include the right to life, the right to work, the right to acquire property, the right to develop his personal talents, the right to establish a family, etc. Positive law may establish a more precise formula for the exercise of those rights, but the rights themselves are prior to any positive legislation, and they cannot be abolished by such legislation. Furthermore, those who accept the Christian Faith know that man has a higher supernatural destiny which transcends the political sphere and reaches into eternity where no earthly organization will accompany him. They know that everything earthly and temporal - and that includes social life - merely serves as an aid, a means, and as support for the eventual sanctification of the individual.

Solidarism, as a matter of fact, requires that individuals, singly and together, direct their earthly endeavors and the application of their energies so that these will harmonize with the higher community, and that they subordinate their personal interests and the interests of their various associations to the wider community, in the event that they may conflict with them. It does not look for the elimination of special private interests, only that they be balanced off and harmonized with the general interest. It does not close off an entire large area to individual freedom as socialism does in the economic sphere. However, it does away with individualistic free rein, and it calls for freedom as a social condition - freedom for all,⁵⁰ not just for the strong - and therefore order in the way freedom is applied. This means an exercise of freedom and the application of individual energies without damaging the common responsibility to the social purpose of the political society, the state, and adaptation to this purpose, both positively and negatively, by actions and restraint from acting, by doing and by not doing.

The solidaristic system also regards competition as indispensable; it does not seek to do away with competition as socialism does; but it stresses the fact that regulated competition is more conducive to progress than the "system of absolute free competition" is, since the latter leads to the development of harmful monopolies, to the decline of

the middle class, and to the detriment of the working class, etc.

As we have already indicated, the right to acquire property is also included among man's natural rights, and there is no evidence to suggest that this natural right is limited to consumer goods. The particular way in which this right is applied and extended remains within the purview of positive legislation; and the way in which private property is structured and regulated changes with history. Although the complete autonomy of private enterprise based on private ownership of the means of production continues to command a wide area of free play, yet, depending on varying needs, public ownership is also entitled to a greater or lesser role so far as the objects of ownership are concerned.

Since true freedom and genuine progress would cease if we did not take into account individual pre-eminence, special talents, personal initiative, skill, and personal ambition, and since they would also cease to be if the ability to enjoy the fruits of these individual advantages were denied, solidarism recognizes as legitimate the different degrees of ownership and of economic and social status which stem from that natural inequality. That kind of diversity is part and parcel of the conditions of life and development not only so far as individuals are concerned but also for every national community. In order to be consistent, it requires of the national working community that individual ability be afforded the necessary room to assert itself without suppression of the weak, and that paths be left open for economic and social advancement.

For solidarism, life in society is not merely the result of social instincts. Nor does it believe in an unchangeable order as determined by natural law, or in a continuing evolution of society based on natural necessity. For solidarism, the state is, in fact, a necessary form of society. Reason as expressed in the natural law calls for it; but the way in which it appears in concrete form is determined by historical circumstances, and as such it is something which is subject to and capable of deliberate modification and restructuring. The social life of a unified community embodied in the state is therefore also capable of planned reform when abuses appear. Furthermore, solidarism does not see in the individual person merely something which results from social relations. On the other hand, it does not deny the impact of such relations on the way individuals turn out. Thus, the complete amelioration of social and economic conditions is not to be expected without improving the sense of obligation in citizens, but as a general

rule it cannot be expected to come about without restructuring or the improvement of legal, social, and economic structures.*

*(In a bad social milieu which undermines the most basic demands of justice, the prospects for moral elevation of the masses is really bleak; and society will not become a fulfilled society unless there is a serious effort to work on the amelioration of society itself. The improvement of conditions and of persons is reciprocally related. We should note that today, it is precisely economists who are calling for a moral regeneration. Thus, we find Adolf Wagner (*Grundlegung* I, 1, 134) zealously extolling the need for the moral and intellectual education of people for true culture, "and the cultivation of the individual as such, and of his external cultivation by teaching, conveying tradition, example, morality, but above all by a sense of responsibility. In the process that influence will make itself felt in the condition of economic organization as well as in law so that those will be structured accordingly, and motivation in economic life will be influenced for the better." Schmoller is of the same opinion (Cf. *Schmoller's Jahrbuch*, 1902, 363, where in "*Grundfragen der Sozialpolitik*" he admonishes the upper classes that they ought to view their higher status as representing greater responsibility and not merely a license for greater consumption and a means for achieving greater power and acquiring more wealth. Indeed, it is a frequently recurring theme among the younger generation of economists, that a person is not to be merely an instrument to be used by others, and that everyone, even when he works in the service of others and serves their purposes, must nevertheless be regarded as an autonomous person with his own ultimate goal. Such "moralization" of transactions in economic life is inconceivable, however, without the cooperation on the part of the greatest moral forces - religion and the Church. Wagner (*op. cit.* 131) calls it self-delusion and deception of others if, on the one hand, we deny what is clear from all historical observation as well as from interior reflection, that it is precisely the evil egotistical impulses in our nature which are to be fought against by our own efforts, everyone for himself, by self-examination and self-discipline, and by listening to the voice of conscience; and if, on the other hand, we reject the idea of religious belief in a higher Authority, in God, and in his all-powerful and all-knowing nature, whose help in the battle against egotistical urges, whose commandments and prohibitions, and whose justice and power to punish, can provide the greatest possible assistance for our nobler, less selfish motives. That is a product of psychological and historical experience which is of the highest order of importance. "

Therefore, it would appear to be high time now for economists to lay to rest from their own perspective the question, whether the Church can

be reconciled with modern culture, and that they become more forthright in affirming that a reconciliation of modern culture with the Church is desirable and necessary. The Church does not oppose true culture; and it is precisely that which is hostile to the Church in the modern era which requires enlightenment and healing in the interests of healthy and progressive cultural development.)

After a period when individualist atomism was rampant, the need for economic and social organizations will be perceived more keenly. However, occupational organization is not merely an "*Œuvre*" in the French sense; but even though it is not absolutely required by the natural law, it is nevertheless a social institution which is ultimately rooted in the dictates of rational human nature.⁵¹ Or is it not in accord with this rational nature that people who are brought into close contact with each other by the fact that they are in the same profession, or that they have the same interests and life-style, should tend to unite in order to represent their common interests and to improve their economic and social situation?⁵² Inasmuch as solidarism expands the sense of community to include occupational organization along with a corresponding common responsibility, in other words, to organizations which express the concept, "member of society," more adequately than this can be applied to individuals, it makes room for social self-help which alleviates the burden on legislation and bureaucracy. However, it does not do away with the inner cohesiveness of the state as the topmost political community. On the contrary, if it is correctly understood, solidarism reinforces and supports it.

All in all, not all forms and modes of modern associations serve the national welfare. In hostile class antagonism and in the kinds of class conflict which dissolve and eventually destroy genuine political, social, and economic unity, it is not possible to discern agents of social and economic progress. Where various organizations emerge within the same occupation, solidarism, relying on the sense of community, tries to build bridges by stressing the common occupational sense among the various groups, and by cultivating the factor which embraces the different strata within the same occupation. And it tries to establish connections and smooth over opposing interests by reconciliation, as the overall common interests of the citizens of the state, as well as those of the higher and lower strata of the same occupation require.

Inextricably related to the solidaristic system, in the final analysis, is

the true expression of human equality and brotherhood, since these provide the solid foundation for the harmonization of the whole pattern of interdependence, as well as for the extension and solidification of international affairs, along with the reciprocal relationships which find expression in world trade. This equality and fraternity finds its highest most ideal expression in its Christian embodiment in the law of love of neighbor.

In the abstract as well as in its concrete realization solidarism may take on various forms, just as individualism and socialism has done this. What is essential to it, however, is *the concept of organic community: community and along with communal responsibility, the principle of moral organism*. Proceeding from teachings and concepts of social philosophy, the solidarist system leads us to the most compelling conclusions, so far as social and economic life are concerned. It is on the basis of its philosophical premises that we have designated solidarism as a *socio-philosophical system*. The principle of solidarity undoubtedly has an ethical ring to it. Actually, the loftiest principles which dominate all of human and social life are, in fact, of an ethical character: obligation as a social binding force. And neither can economic life exempt itself from guidance according to these principles.

From what we have indicated thus far, there can be no question but that solidarism, as we use the term, differs essentially from the various systems which have used the designation solidarism up to this point. Without intending to underestimate some of the significant and worthwhile ideas contained especially in *French doctrines of solidarity*, it is nevertheless unfortunate that French scholars were still very much influenced by utilitarian, positivistic, evolutionistic, and even socialistic theories, as well as by biological analogies or by an unfounded would-be empirical, but actually aprioristic sociology. Thus, it is impossible to cast a correct notion of solidarity in that mold. Our system parts company especially with Gide's solidarism, and also those forms of solidarism which are like it, aside from the difference in the underlying principles, inasmuch as we do not put cooperatives and the consumers in the forefront in a one-sided manner. Instead, we bring to bear the entire regulative and constructive significance of the solidarity principle for regulating and structuring that part of life in the political community which we call the national economy.

A threefold division among systems of social philosophy is also to

be found in the distinction that B. C. Brouilhet,⁵³ for example, makes between the various French economic and sociological doctrines which are in contention today: namely, the liberal, the interventionist, and the socialistic ones. 1) *Liberalism* defends the existing capitalistic order. Thus, the individual ought to enjoy complete economic mobility; and the "natural order," along with the natural evolution from bondage to individual freedom, should not be impeded in any way. The liberals oppose all state intervention in economic life, and also interference by labor unions. They hold that the freedom to move upward within the established structure provides a necessary and sufficient incentive for harnessing men's energies. 2) *Interventionism or solidarism* views the given state of affairs as in need of improvement. It holds that the state has as its principal mission to protect the weak from the strong, and that by active intervention on its part it can ameliorate the evils brought on by the abuse of freedom. At present that movement is advocating, specifically in France, progressive income tax, social insurance, the introduction of state monopolies and enterprises, the commitment of new functions to labor unions which are to be equipped for the protection of legal persons (such functions as are especially related to the negotiation of collective labor agreements). When Brouilhet also refers to this movement as "social radicalism," Gaston Isambert⁵⁴ rightly questions whether all interventionists, and especially Catholic social thinkers, are dedicated to "radical" approaches. 3) *Socialism* calls for a fundamental change in the existing situation by socializing the means of production. Either the state or occupational cooperatives ought to become owners of the means of production. Individual consumption is to remain free. Workers will be paid off in consumer goods. Brouilhet divides socialists into the "messianic" ones who expect the collapse of the prevailing economic order to result from the operation of natural economic laws. Then there are the "revolutionaries of the street," who hope to achieve their goals by force, and the "juristic" socialists, who hope to seize power by using the power of the state (whether by ballots or by force is left open). The newest form of socialism is "revolutionary syndicalism" which rejects the roundabout use of political action and parliamentary procedure, and even any present or future political structure. It proposes instead vigorous anarchistic tendencies; and, for the present, it promotes the development of the cooperative spirit and the cultivation of direct action along with anti-militaristic tendencies; but it offers no clear directions

regarding the organization of the society of the future.

German scholars seem to shy away from a threefold distinction between individualism, solidarism, and socialism. They have been accustomed until now merely to juxtapose the individual to society, and the principle of individualism to the social principle. So far as we are concerned, the matter does not have to do with individuals living in isolation but with people within society, and with the relationship of these people to society and of society to them. Thus there are obviously three possibilities: 1) too much stress is placed on society; 2) too much stress is placed on the individual; 3) both society and the individual are accorded what is their due. But we still have to consider someone who presents a different approach.

Heinrich Dietzel⁵⁵ presents the individual and social principles in the form of two contradictory propositions. For him the social principle is expressed in the proposition that: "the social whole (the abstract unity of all individuals) represents the ultimate goal, while individuals are auxiliary organs in the life of the social body - like limbs in the life of the physical body." The individual principle is expressed by the proposition: "that the individual is the highest purpose; and all higher and lower social bodies - family, class, cooperative, state and all states together - are simply means for the individuals who are included in them." The systems which are permeated by the social principle he calls "organic systems," "since their essential hallmark is the fact that they regard the individuals as organs which serve the whole." If Dietzel had distinguished between the concepts of physical organism and moral organism on the one hand, and between the public and general welfare, on the other, then the possibility of a union of the social and the organic principle would eventually have occurred to him, instead of the extremely rigid formulation in which he presents the two. The *concept of physical organism*, in any case, allows the individuals to appear to be "organs which are subservient to the life of the social body," like the "cells in the life of the physical body." The *concept of moral organism*,⁵⁶ on the other hand, employs only an *analogy* between the physical body and the social structure. Thus, the members of the social structure remain individuals who have *their own ends* as human individuals not merely with regard to the life in the hereafter, where earthly social structures will not be present in any case, but precisely for and within the social structures. Political society too,

which plays a major role here, exists ultimately for people. The members of this society are supposed to find their own welfare in and to a degree by means of it. However, the state as political society can serve their purpose only in an intermediate manner. It cannot provide directly for the welfare of each individual citizen, as happens in the case of the indigent and the helpless. For people in general, the state as a political society (and not merely the power of the state) has as its purpose the general welfare (*Salus publica*)⁵⁷ To bring this about all citizens contribute both positively and negatively, by their actions and their transactions but also by refraining from certain actions. This includes individuals, associations within the state's structure - and in a special manner - the public authorities. Inasmuch as citizens have a part to play in the realization of the public welfare and its prerequisites (like the state's survival and power), that makes them "auxiliary organs in the life of the social body."⁵⁸

However, since the "public" welfare has the "general" welfare (*salus universalis*) of the citizens as its purpose, and since it is supposed to provide for all of its citizens, by social forces and institutions, the external conditions whereby they may safeguard, preserve and enhance their own welfare, the political state is therefore here to serve the lesser associations and the individuals of which it is actually made up. Thus, the state is not only the means for serving the ends of individuals, but instead the temporal goals of individuals are subordinate to the "public" welfare inasmuch as that constitutes the the purpose of the state. On the other hand, individuals are not mere tools of the state. They are also its *purpose*, because the public welfare serves the welfare of all citizens. In turn, the individual secures his own welfare in that he is at the same time serving the welfare of all as this finds its expression in the public welfare. That is how the proper relationship between the individual principle and the social principle is expressed. Only in an extreme individualistic or socialistic formulation do these two appear to be opposed to each other. The concept of moral organism, on the other hand, presents the two, also theoretically, in their proper balance both in reference to the good of the whole and that of its members.⁵⁹ Thus, we do not have the individuals being virtually all that there is, whereas the whole amounts to nothing; or conversely, the whole as being virtually everything while the individual is reduced to nothing. Individuals accomplish their goals in the community and, to a degree, with the help of the community - always, however with concomitant

responsibility to the goal of the community (general welfare). It is precisely this solidaristic bond between the community and its members which we have formulated systematically and designated as *solidarism*, as opposed to *individualism* and *socialism*.*

*(The question whether the term "*solidarism*" as we are using it is legitimate etymologically should not present us with serious difficulties. Etymologists relate *solidus* with the Greek *holos* (whole), in the same ways as *sal=hals* (Gr.) and *sol=helios* (Gr.) etc. In like manner, *solemnis* means *annual*. *Solidum* in its fullest sense would be a complete (undivided) whole made up of tightly combined elements. Ordinary usage refers: sometimes more to the parts, their similarity (the same through and through): *patera de auro solido*, *solido de marmore templum*, their density and fixed position, tight cohesiveness (antonym: hollow, loose, fluid, porous, broken-up): *columna solida*, *dens solidus*, *terra solida*, *adamus solidus*, *solidis in tectis clauditur* (in safe custody), therefore *solidescere*, to solidify, or in the transitive: *fracta solidare*, *nervos incisos solidare*; 2) at other times it refers more to the whole: *solidus consulatus* (for a whole year), *partem de solido die dormire*, *solidum aprum in epulis ponere*. - We find the the expression used especially in law (which often adheres to the most ancient meaning of words): *solidum* as meaning the whole, undivided, the complete sum; *soliditas* as the whole, the totality, e.g. *possessionis*, *soliditas singulorum*; the essence of solidarity in Roman law was contained in liability for the whole (*solidum*); and in later jurisprudence the concept solidarity went along also with partial liability (e.g. among limited partners), also for limited solidaristic liability, which means nothing more than that the co-debtors, to the extent that they were liable, were equally liable. The expression is, in itself, imprecise in the literary sense, and it can only be explained historically. 3. cognates: durable, firm, genuine: *solida gloria*, *virtus*, *fides*, etc. Even though *solidus* and *solidarism* are not such complicated concepts as all of this may imply, the suggested nuances taken altogether, nevertheless provide a good analogy for our new use of the concept. That use can be regarded as a completely natural emanation from the original meaning as applied now to the socio-economic area and as adaptable to it. And this is true all the moreso if we use the term, *solidaris*, as an intermediate one in moving from *solidus* to the word *solidarism*. The expression *in solidum obligari*, - to obligate in a solidaristic manner - bespeaks the condition of "one for all and all for one," in other words the essential element of "solidarism" including the limitations contained in our representation of it. "Solidarity means reciprocity between two, several, or many, of the sort where they are dependent on one another so that what they

want and ought to accomplish can only be accomplished well if they cooperate." (R.v. Nostitz-Rieneck)

The juxtaposition of individualism and universalism (cf. Othmar Spann, *Die Haupttheorien der Volkswirtschaftslehre* [1911] 21ff.) is less satisfactory. The philosophical concept of the universal does not infer anything social. It suggests the universal in the sense of species and what species have in common (tree, man, etc.). It is possible to juxtapose a false nationalism to the whole of humanity - the human race. Still, the concept of the universal lacks the social linkage and interlacing which is essential for the social unit. Solidarism presupposes universalism and includes it, but it adds to it the sense of social community. If we simply apply the expression universalism to real-life society, that could give rise to misunderstanding and once again end up depicting society merely as an aggregative concept in the individualistic sense.

The juxtaposition of the organic principle to the individualistic principle (Dietzel, Lexis) is proper. However, we need to have a more precise expression of these principles, and that would of necessity lead to a three-fold division of systems. According to Gertrud Bäumer (*Die Soziale Idee in den Weltanschauungen des 19 Jahrhunderts. Grundzüge der modernen Sozialphilosophie* [1910] include the concept "social idea, the recognition of the formative principle in social life and the modification of this principle into a practical leitmotif." She distinguishes between those theories which proceed on the basis of the idea of personality, the individualistic one, and those which push the idea of society into the foreground, and finally the synthetic ones which seek to reconcile individualism and socialism. The latter are designated as "social aristocracy and cultural socialism." We prefer the term "*solidarism*," which states more correctly and precisely our approach to the matter.)

Let us finally sum up those factors which best identify the solidaristic system, and present it as a suitable alternative to individualism and socialism. They include:

1. Its *natural* and *factual* basis, the reciprocal dependence of the person on other persons, and of his welfare on the welfare of others, because of his natural ability and need to fulfill himself, and also his sharing in the interests of the whole, while the historical development of division of labor and of commerce modifies and develops this social conditioning of human existence and progress more intensively.

2. Solidarity as the kind of *principle of law* (*Rechtsprinzip*) which calls for co-responsibility for the well-being of the whole as a moral obligation incumbent on both government and fellow citizens, an

obligation which:

a) maintains the autonomy of individuals and other associations within the state, but which requires the subordination of private interests to the general interests, and the adaptation of private rights to the rights of society in accordance with the principle dealing with conflict of rights, without any arbitrary abolition, limitation or suppression of the individual economic unit; and which

b) adds up to the positive unity of all individual and social forces for accomplishing the purposes of the political community, which include the purposes of its laws, its welfare, the use of its legal powers, and also the special tasks which fall to it because of its responsible concern for the weaker part of society;

3. Solidarity as *the community-forming principle* which introduces and nurtures the corporate alliance of the various occupational groups (trade organizations, guilds, present-day trade associations, chambers of commerce, industrial and agricultural organizations, etc.) in a manner that accords with historical conditions and requirements. These would not serve the purposes of exaggerated one-sided representation of their own interests, but they would act as a cultural force working on behalf of colleagues in the same occupation, while at the same time operating beneficially for the community overall by facilitating the reconciliation of differences, the promotion of social harmony, and the adjustment of conflicting interests, and at the same time giving due recognition to their legitimate claims. We are talking about solidarity as the voluntary unifying principle also in terms of the greatest possible variety of forms in which cooperation might occur on behalf of the well-being of joint common interests, and of groups which are bound together by a vivid awareness of their common bonds and their common interests, but without infringing on the common good;

4. Solidarity as a *charitable principle* which unites men into a brotherhood, and at the same time, as one which serves as the generous wellspring of Christian love.⁶⁰

Thus, solidarism places all social and individual energies, along with those of the state itself, at the service of the whole community and its members. All natural and moral motivations, the urge for progress, for the improvement of living conditions, and also that love which unifies and ameliorates and remedies the plight of many individual needy members of society, along with individual justice which safeguards all

physical and moral persons within their sphere of rights, and social justice which protects the general welfare and which averts or overcomes the misery of the masses and classes by promoting the sense of community among the members of society - all of these motives and sources of moral energy are supposed to operate and interact within the schema of solidarism to achieve the goal, the proximate and more remote purposes of the political society in the form of the state, the public and general welfare, all of these in their proper place and in the proper way. It is precisely this *universality of energies, means, and motives* which is peculiar to solidarism, the breadth of vision with which it takes into account the wide variety and the shifting historical contexts in which economic phenomena operate, which is its best endorsement and which sets it apart from the essentially one-sided individualist and socialist systems. At the very heart of the system, however, is *social justice*, justice toward the community, toward the whole, for all classes, all citizens, which is firmly rooted in the moral order of things.

*Enkindle on all of the mountain tops around us
The flaming signal fire of our era
"Justice"! (Eichert)*

We must recall, at least in passing, how the idea that - according to the Christian view - all of humanity constitutes one single family, and that international solidarity also directs us and smooths the way even beyond the boundaries of individual states. That in no way suggests absorption of the national economy by the international world economy, but merely a practical recognition of foreign nationalities which promotes proper conduct toward them in keeping with such recognition. Not: *My country right or wrong*, but justice, fair play, and love also toward other nationalities!

6. The Principle of Solidarity and the Organization of the National Economy. The concept, "organization" is capable of being interpreted in various ways.*

*(Franz Klein (*Das Organisationswesen der Gegenwart* [1913] I) defined organization as "an ordering of parts to the whole based on reciprocal

conditioning and intrinsic practicality." "Organization" in the sense of an active process is simply the establishment of such an order. Friedrich Naumann (*Das blaue Buch von Vaterland und Freiheit*, 169) perceives organization as "the regulation of the multitude," and Plenge (*Das erste staatswissenschaftliche Unterrichtsinstitut* [1920]), as the "practical combination of opposing forces into a single unit." Ernst Schultze (*Organizatoren und Wirtschaftsführer* [1923] 27) refers to "organizations" as: "enhancing the effectiveness of human efforts by planned coordination of people and institutions." This definition is especially applicable to organization of a firm.

We ought to distinguish "economic organization" as referring to the organization of the individual economic unit and the organization of the national economy. We are dealing with the latter. "Economic principles" (satisfying wants and the quest for profit) as understood by Sombart (*Der moderne Kapitalismus* I,4), "which set the tone for the economic life of a period of time, in other words historically determined ones, and those which are established as maxims and basic principles governing the conduct of economic subjects, or prevailing motives" cannot be designated as organizational principles, even if there is no denying their impact on the national economy. Schäffle (*Das gesellschaftliche System der menschlichen Wirtschaft* II [1873] 13,19ff) and Wagner (*Grundlegung* I, 2, 761ff.) mention three principles of organization, the private enterprise one, the communal one, and the charitable principle. If private enterprise and communal systems are juxtaposed to each other as mutually exclusive, this shows that each of these two systems still calls for an unremunerated distribution of goods to persons who lack the capacity to acquire them. And the private enterprise system would still remain purely private enterprise, and the communal one would remain purely communal. This demonstrates that the charitable system cannot be regarded exclusively along with the private enterprise and communal system. Things are different insofar as those are regarded merely as commercial principles. If two economic units deal with each other on a contractual basis, where each has in mind securing its own advantage and getting an equivalent return for its services, then the private enterprise principle has become a reality. If a command society, like the state, authoritatively, relying on the force of its superior power, demands services from the members of political society as such, or if it derives services without paying for them, or by paying only enough to cover costs, then the communal principle is in operation. But if we are dealing with a free donation based simply on generosity, then we are talking about the principle of charity. Paul Kirschner (*Die Unzulänglichkeit des privat- und gemeinwirtschaftlichen Organisationsprinzips in der Volkswirtschaft* [1908] regards the private enterprise and the communal

principles as inadequate for the economy. He calls for charity in commerce among the various economic units as a third principle or motive. In this sense his argumentation is clear and convincing. Finally, the distinction between those three principles can also be understood and applied in such a way that within one and the same national economy, assuming that they have the right kind of structure, communal and charitable forms, institutions and activities go along with private economic units, etc.)

In its most liberal and broadest sense we mean by it simply the *structuring* of the national economy. In that sense, there is a great difference depending on whether we are dealing with a completely or partially communistic society, or one which is based essentially on private property, or, as is the case today, with an economic structure where entrepreneurial control predominates in the organization of production and exchange, or whether the economy is organized cooperatively, either as one great communal economy with collective ownership of all means of production, centrally controlled production and distribution (socialism), or with even communal control over the disposition of consumer goods (communism). How the national economy contains public economic bodies alongside private economic units also makes a difference. In the latter case, what is important is whether the public economic bodies expand and grow or have greater or less importance in the overall picture. Finally, of no lesser importance in the configuration of the national economy, is the matter of how it is affected by the differing degrees of social and technical division of labor, the development of the forms which business enterprises take on, how the various applications of personal energies to production are enlisted, how economic commerce takes place among the various members of society, as well as the particular form and extension of the system of associations, etc.

In the narrower sense, the concept, "organization," is linked to the concept, "order," as that applies to the state and the economy. We are particularly concerned here with its application to the organization of the national economy. The notion of order here is, in turn, associated with the notion of *a principle of order* which finds expression as the organizational principle.

In terms of our socio-philosophical distinction between individualism, socialism, and solidarism, we hold that there are three more or less general *structural principles* for a national economy: 1) the

individualistic principles of liberty and of the self-interest of independent economic subjects who are generally isolated from one another; 2) the socialistic principle of direct authoritarian rule over the economic process on a collectivistic basis; 3) the principle of solidarity which apportions, determines, and limits the degree of freedom, the various property interests, and the individual interests of autonomous economic subjects and their associations, and also the forces of authority, on the basis of the social purpose of a politically unified national community, which acts as the binding norm for all (joint responsibility), the citizens as well as their rulers; and at the same time, where there are communal interests, leading to community - and to shared responsibility among intermediate social bodies within the state.

We call these principles *structural principles* or, if one prefers, organizational principles in the broader sense. The individualistic principle rules out collectivism and promotes the private economic unit, but it is in itself not a principle which establishes order; and therefore it does not lead to actual and genuine organization. Socialism promotes a collectivistic structuring of economic life to the exclusion of separate economic bodies. Finally, solidarism rejects both the collectivistic communal economy and likewise the mechanism of individualistic private structuring of the economy. It proposes private ownership of the means of production, a structure embodying separate economic units, but with genuine "organization," i.e., structured along the lines of a moral organism that is regulated in accordance with the requirements of the general welfare.

What we have said thus far makes it clear that the traditional division of organizational principles into a private-economic one and a common-economic one is not adequate. We need a higher principle which combines the two - in other words - one which employs solidarity to fuse the separate economic units communally (unity and purpose of the national economy, along with the appropriate legal structure and system of organization). We would be guilty of begging the question if we simply identify without further qualification every structure having private economic units as a part of the individualistic, egotistical, atomized economic structure, and if we identified every communal structure with collectivism.

When we speak of the *concept of solidarity*, it is possible, as we have come to appreciate, to observe cohesiveness, cooperation, mutual

dependence, contingency, and complementarity and the community of interests as actual facts of life; and we can point out also the progression of ever tighter and closer bonds and interlacing of all relationships as representing a historical tendency. Also, we would in no way deny the role which psychological instincts play in determining the economic life of a nation. Yet, without stifling the legitimate aspiration of love of self among individuals in any way, we assign priority to natural sympathy among human beings, to their communal sense, and to their social instincts within the context of life in communities.⁶¹ Beyond that, it is a fact that neither a balancing of the many instincts, as Schmoller suggested would take place, nor subjective-ethical regulation of the instincts as A. Wagner so neatly and insistently proposed, are going to suffice for the needs of the economic order and for its proper organization. If the national economy is indeed an important part of the social life of a politically unified national community, and if, on the other hand, this social life derives its intrinsic order first of all from law, then, to be consistent, the governing principle in the practical economic order must be a *principle of law*. And the aforementioned scholars do not deny that. We have found this principle in *solidarity* and in its quality as being something *required in law*⁶² (co-responsibility), a *principle of law* which in the sphere of economic life safeguards both the rights of the individual and also of the community, and which governs the relationship between the individuals and the community, and which also "organically" adapts the individual economic units to the occupational associations representing the broader economic working community. And it accomplishes this without doing away with the basic natural rights of liberty, autonomy, self-help, self-determination, the acquisition of property, etc. It is a legal principle which affords practical recognition of the rights of the community, while at the same time stressing rights toward the community, which once again include in particular the right to form communities representing narrower social structures (the right to organize), the right to economic cooperation in social or cooperative forms of enterprise, in cartels and the like, and the right to set up social corporations in the form of a variety of autonomous associations representing different stations in life and occupations and representing diverse interests.

Our discussion also indicates that we do not mean, by the established order in the national economy, just any kind of order. And it indicates

also that we use the concept "organization" in its full social organic sense, as referring to the moral-organic order in society and in the national economy. Taken in this sense, organization means, always with due regard for the autonomy and the appropriate independence of the members of political society, promotion of the unity of the "organs" as such, and also their embodiment as members into their respective communities, with deference to the vital coordination which the social purpose requires, the vigorous cooperation of all of the organs, all of which condition the health and the efficiency and even the survival of the organism as well as of its component organs.⁶³

A famous physician⁶⁴ has made a fitting reply to the charge that establishing a system of corporate bodies of occupational organizations would establish a state within the state. He pointed out that an organism is not merely a pile of separate, mutually unrelated minute and tiny cells. It is an organism made up of organs. Thousands of cells and fibres are combined to form a great variety of organs, some forming a heart, others a lung, a muscle, a bone, etc. And each of these organs, with its own vessels and nerves, is a small entire unit within the overall whole unit. Now similar work and the same occupation or profession constitute the intrinsic unifying bond of organizations which present themselves as "organs" of the overall social body; and the particular work which they perform is a social function in the service of the whole body. The organization of occupational and functional groups, toward which there are undeniable tendencies in present-day society, moreso in some areas than in others, and on whose well-being continuing progress toward a fuller development of society ultimately depends, serves a twofold purpose. The individuals are grouped together by a solidaristic bond into associations of people who do the same kind of work or belong to the same profession. Then these bodies, in turn, find themselves regulated in accordance with *the solidarity of the higher economic and national community*, and bound together in the politically united national community which combines all occupations and classes of people into one harmonious unit.⁶⁵

At this point there can be no further doubt about how the principle of solidarity can at one and the same time be regarded as both the regulative and the constructive principle for organization of the economy. It establishes intrinsic unity, provides an organic structure covering the whole community, it curbs arbitrariness, it provides a bond

which holds people together. In other words, all of what is meant by social structure and social order is contained in that principle.

The constructive meaning of the *principle of solidarity*, however, assumes far greater relevance if we take into account the way economic associations have proliferated in modern developed nations. When discussing occupational and functional organizations which are bound together to represent voluntary and also official interests, one has to consider the dramatic increase in the number of cooperative bodies⁶⁶ and also in the sharing of risks. The latter is occurring to an almost excessive degree in the insurance business, where solidarity functions on behalf of the welfare of individuals. This is most clearly expressed, of course, in mutual associations.⁶⁷

The examination of the basic problem of our science, the search for the essence and the determination of the wealth of nations, will lead us, in the second volume, directly to an investigation of the makeup of the three systems (Mercantilism, Physiocracy, and the Industrial System), which provided the historical point of departure from which our science originated. While we will concur with Adam Smith in establishing human industry as clearly the foremost source of the wealth of nations, we will at the same time oppose *individualism*, the Physiocratic concept of liberty, the Manchester version of Smith's stress on freedom, the (Darwinistic) evolutionistic call for unrestricted selection based on the struggle for survival, and "*capitalism*" which is based on individualism, as well as *socialism*. We will oppose all of these, proposing instead the "*social system of human industry*"⁶⁸ as an economic system which emanates from the *solidaristic notion of a moral organism*.

¹ *Die Nationalökonomie in Frankreich* (1910) 122ff., 427-457, 507ff.

² *Romans*, 12: 4,5.

³ Instead of the world "*solidarité*," the expressions, *association*, *harmonie des intérêts*, *fédération*, *coopération*, *garantisme* (Fourier) are in common use. Cf. Eichtal, *La solidarite sociale*.

⁴ Cf. Sismondi, *Neue Grundsätze der politischen Oekonomie* (Transl. Prager) II (1902) 267ff.

⁵ *Solidarité* (1907); *Essai d'une philosophie de las solidarité* (1907). By virtue of our membership in society, according to Bourgeois, we are subject to juridical, quasi- contactual obligation. "*Nous naissons débiteurs!*" However, our predecessors who left us with the legacy of civilization, the means for intellectual and industrial production, etc. are beyond our reach. Their descendants now move into their place, our contemporaries, who, as the fortunate possessors of that heritage, must share the treasures among their goods, which were *Solidarité* (1907); *Essai d'une philosophie de las solidarité* (1907). By virtue of our membership in society, according to Bourgeois, we are subject to juridical, quasi- contactual obligation. "*Nous naissons débiteurs!*" However, our predecessors who left us with the legacy of civilization, the means for intellectual and industrial production, etc. are beyond our reach. Their descendants now move into their place, our contemporaries, who, as the fortunate possessors of that heritage, must share the treasures among their goods, which were accumulated by exertions on the part of departed generations. Eventually, the state would have to mandate that. Chr. Brunot, *La solidarité sociale comme principe des lois* (1903). Cf. also Ch. Gide and Ch. Rist, *Histoire des doctrines économiques* (1909), 671ff.; d'Haussonville, *Solidarité*, in *Revue des Deux Mondes* 1900.

⁶Gabriel Tarde in his *Psychologie économique* is like Gide in this. Gide *Principes d'économie politique* (1908); German by Weiss von Wellenstein (1904); *La coopération* (1906); *L'école française dans ses rapports avec l'école anglaise et allemande* (in *Festgaben für Schmoller*) I (1908) 17ff. According to Gide (*Quatre écoles d'économie sociale* [1890] 152), "Solidarité is not like freedom and equality or even like fraternity, a high sounding expression or a pure ideal; it is a fact, the kind of fact which is best established by science and history, the most important discovery of our time...the fact of solidarity, the interdependence of people is progressing daily; perhaps it is synonymous with progress." De Waha, *Die Nationalökonomie in Frankreich* (1910) 444. Cf. there also (p.450) regarding the *School of Nîmes*, so-called because the Gide-type consumer association used to meet at Nîmes. What Gide has to say further regarding the establishment of his solidarism is less clear; thus, when he talks about an unfolding of the "individuality" of the person outward in the interest of others, whereas individualism has favored solely the egotistical inclinations, or when he talks about the necessary leveling of people insofar as their qualities are concerned, etc., Gide rejected Bourgeois' approach. Cf. Gide and Rist, *Histoire des doctrines économiques* (1909).

⁷ *La solidarité sociale et ses nouvelles formules* (1903); *La formation des richesses et ses conditions sociales actuelles* (1906).

⁸ *De la division du travail social* (1902); *Les règles de la méthode sociologique* (1907); German 1907). Cf. also, Deploige, *Le conflit de la morale et de la sociologie* (1911).

⁹ We will not go into discussion of other exponents of the notion of solidarity in France, like Fouillée, Izoulet, Simiand, etc. For that, cf. R. de Waha, *Die Nationalökonomie in Frankreich* (1910) 471ff., 507ff. Liberal economists like Yves Guyot and de Molinari talk about a kind of "solidarity" which stems from division of labor and the combination of labor, exchange and competition. - For an insight into this whole topic, see C. Bouglé, *Le solidarisme* (1907); Paul Pic, *Législation industrielle* (1909) 7ff.

¹⁰ Brentano, *Die christlich-soziale Bewegung in England* (1883). M. Kaufmann, *Christian socialism* (1888). v. Schulze-Gaevernitz, *Zum sozialen Frieden I* (1890): about Thomas Carlyle (born 4 Dec. 1795, died 5 Feb. 1881) 77ff., about John Ruskin (born 8 Feb. 1819, died 20 Jan. 1900), and Arnold Toynbee, 399ff. M. Kaufmann, *Der neuere christlich- und ethisch-reformatorische Sozialismus in England*, in *Handwörterbuch der Staatswissenschaften VII*, 622ff. Christian Eckert, John Ruskin, in *Schmollers Jahrbuch XXVI* (1902) 362ff. So far as the Catholic side is concerned, recently, Parkinson (*A Primer of Social Science* [1913]). About the newly arisen Catholic social movement in England, the Brochure: *The Catholic Social Guild* (1913) provides information.

¹¹ *Jesus Christ and the Social Problem* (1913) 24ff. (For Peabody, Christ represented a high ideal, not the Son of God.)

¹² *Ensayo sobre el catolicismo, el liberalismo y el socialismo*, German by C.R. Reiching (1854) 152ff.

¹³ Cf. B. Vogelsang, *Grundzüge* 139. Most recently, the discussions of the *Semaine Sociale* in France (e.g. Versailles, 28 July until 3 August 1913; Report in the *Rivista cattolica XIX* [1903] 202ff. - (The topic: *Responsiitiy*) etc.

¹⁴ Words like *solidarity*, *fraternity*, *charity*, etc. were used even by the pioneers of the bloody French Revolution, by the likes of Camille Desmoulins, Robespierre, Marat, and by Belgian Freethinkers ("*Solidaries*").

¹⁵ Cf. above, p. 182ff.

¹⁶ p. 271ff.

¹⁷ Cf. Toniolo, *Trattato di economia sociale I* (1907) 290.

¹⁸ *Über den Reichtum in der christlichen Gesellschaft*, translated by J. Weizenhofer I (1866) 34ff. The outstanding student of Perin was Victor Brants who unfortunately died an untimely death (*Les grandes lignes de l'économie politique* (2 vols., 1904); *Lois et méthodes de l'économie politique*; also *La lutte pour le pain quotidien*; *La circulation des hommes et des choses*; *Les théories économiques aux XIII et XIV siècles*, etc.). Cf. E. de Girard, *Histoire de l'économie jusqu'à la fin du XVI siècle* (1900). Girard's work is built on Brant's doctrines.

¹⁹ *Die academische Nationalökonomie und der Sozialismus* (1895); *Grundlegung I*, 1, 83-137.

²⁰ *Ibid.* I, 1, 135.

²¹ *Ibid.* 134.

²² *System der Volkswirtschaft I*, §11; *Ansichten der Volkswirtschaften I* (1878) 76f.

²³ See above, p. 197 ff.

²⁴ *Grundlegung* II (1894), *Vorwort* vi.

²⁵ *Ibid.* I, 1, 22f.

²⁶ *Grundlegung der politischen Ökonomie*, Part 2: *Volkswirtschaft und Recht, besonders Vermögensrecht* (1894) 41ff.

²⁷ *Grundlegung* I, §94.

²⁸ *Theoretische Nationalökonomie* I (1916) 399ff.

²⁹ Diehl (op. cit. 400ff.) designated Rodbertus, who was the first to put great emphasis on the social factor as opposed to the individualistic approach to economics, as a precursor of the "social rights direction." According to Rodbertus, the national economy first emerged with division of labor which put an end to the isolated self-sufficient economic unit. Marx too exalted the social nature of economic phenomena. Then Adolf Wagner insisted with special clarity on a social rights approach as opposed to the prevalent private enterprise direction. However, it was Stammler's *Wirtschaft und Recht* (1896) which, with its great stress on the social and legal nature of economic phenomena, made an especially great impression on Diehl. If Rodbertus designated the division of labor to be the criterion which gave rise to social life, Stammler saw formal regulation as being the decisive factor. Stolzmann too, with his two works (*Die soziale Kategorie in der Volkswirtschaftslehre* [1896], and *Der Zweck in der Volkswirtschaft* [1909] is included among the precursors of the theory of social rights. Finally, Diehl also mentions Amonn, *Object und Grundbegriffe der theoretischen Nationalökonomie* (1911), where the social bond was explained as being the decisive element in economic phenomena.

³⁰ We scarcely need to point out that we do not agree in every respect with Roesler's views. In his judgement of labor organizations (*Vorlesungen über Volkswirtschaft* [1878], 184ff.), for example, Roesler was far too stringent when he sought to harp mainly on certain abuses.

³¹ Cf. Pfülf, *Bischof v. Ketteler* II (1899) 432; Meitzel's Essay about Roesler in the *Handwörterbuch der Staatswissenschaften* VII, 148; *Allgemeine deutsche Biographie* LIII (1907).

³² Alexander Roesler, S.J., died 30 May 1904 in Feldkirch, Vorarlberg.

³³ Cf. H. Roesler, *Über die Grundlehren der von Adam Smith begründeten Volkswirtschaftstheorie* (1871), especially the sections: *Die Wirtschaftsgesetze im allgemeinen* 1ff., and: *Soziales Recht und Privatrecht* 255ff.

³⁴ 35Cf. above (p. 148ff., 155ff., 203ff.) where I deal with the nature of human associations, society and the state as organisms.

³⁵ Cf. also Flesch, *Zur Kritik des Arbeitsvertrags* (1901).

³⁶Fritz Berolzheimer (*Deutschland von heute* [1901] 172) suggests that the "prevalent" theory today in the history of science is that not individuals make history, but that decisive ideas residing in the bosom of nations, and whose operation and effects are unknown, burst into being. Yet, as v. Below indicates (*Zeitschrift für Sozialwissenschaft*, New Series I [1910] 330), only a few historians propose this view, Lamprecht being the most enthusiastic of these. However, in recent years Lamprecht too has been more willing to recognize the importance of individual personalities.

³⁷Roesler, *Über die Grundlehren der von Adam Smith begründeten Volkswirtschaftstheorie* (1871) 13A.

³⁸Cf. also v. Hertling, *Kleine Schriften* 303.

³⁹*Das Wesen der menschlichen Verbände* (1902) 34f.

⁴⁰A culturally advanced nation can extend beyond the boundaries of the national state. For example, Germans who live abroad continue to be parts of the German national culture.

⁴¹Above, p. 156ff.

⁴²p.203ff.

⁴³*Statistik und Gesellschaftslehre* I (1895) 3; *Begriff und Gliederung der Staatswissenschaften* (1901) 4 (now 3rd ed.). Waxweiler too is of the opinion that the word "society" is one whose meaning tends to elude us the more we try to probe it.

⁴⁴By "society" we mean (as opposed to the state) in general the sum total of human interrelationships and bonds which are not coextensive with the political life of the state. These include, for example, church, scientific, literary, and economic ties and interrelationships. However, there is also an inclination to use the word "society" when referring to the "realm of economic relations", and in a still narrower sense, it is used for associations which operate within the state, especially all economic associations taken together. - Regarding the concepts, *society*, *community*, and *association*, cf. above, p. 75ff.

⁴⁵Cf. above, p. 191ff.

⁴⁶Cf. Gierke, *Genossenschaftsrecht* I (1868) 1ff.

⁴⁷Cf. above, p.283ff., especially 303ff. Among more recent works also: A.Schatz, *L'individualisme économique et social* (1907). Also, remarks by Karl Pribram in *Grünberg's Archiv* I (1911) 508ff.

⁴⁸A. Belliot, *Manuel de sociologie catholique* (1911) 5.

⁴⁹Regarding "ethical individualism" as understood by Julius Wolf, cf. Christian Eckert, *Grundfragen der Sozialpolitik*, in the *Histor.-polit. Blätter* CXXII 893ff. Wolf has no intention of rejecting social reform, but he feels that its role should be more carefully restricted both scientifically and politically. He views the social problem more as a matter of development rather than of reform, and he regards the mechanism of the civil economic order as destined and suited to serve in a more essential and even in a most critical manner to improve conditions. - Horneffer (*Die grosse Wunde* [1922]) judges the intervention of public bodies in individualistic terms. The philosophical point of view: Nietzsche.

⁵⁰Adolf Ott (Article: "Liberalismus" in *Staatslexikon der Görres-Gesellschaft* III, 848f) says: "The question has been raised whether it is not a matter of necessity that the free activity of the individual must assume an ever decreasing role, and that human solidarity is destined for continuing growth. There was a legitimate reply to this to the effect that it is not only human solidarity, but also human freedom which must go on growing. If we look at the flexible concept of freedom in what is its most important meaning for the modern individual, in other words, that the exercise of human capabilities it is not only not to be impeded by the state but that it is to be promoted, then the degree of of such potential activity by the individual is destined to increase drastically. Advancing civilization has as its consequence to provide growth in the individual's capacity to function. The outcome of history is as much a matter of increasing limitations on people as it is also brings with it a progressive loosening of his bonds." (Jellinek).

⁵¹We are not making a judgement here as to whether this involves the integrity of the social organism, or whether occupational organization is merely needed to fully round out the social structure. The degree and the form in which a compulsory banding together or representation of colleagues in the same occupation is specifically required always depends on given concrete historical conditions, and on the needs, potentials, prospects for success. We are merely opposed to limitating the idea of association in principle to the free association, and we also recognize the compulsory unification of occupational groups as justified in principle.

⁵²The same point was made by Desbuquois at the Congress of the *Action populaire* in Paris meeting from April 20 to 23, 1911.

⁵³*Le conflit des doctrines dans l'économie politique contemporaine* (1910). Grünberg's *Archiv für Geschichte des Sozialismus und der Arbeiterbewegung* I (1911) 495ff.

⁵⁴*Ibid.* 496. R. de Waha, *Die Nationalökonomie in Frankreich* 238ff., 318ff., 355ff.

⁵⁵ Article: "Individualismus" in *Handwörterbuch der Staatswissenschaften* V 590ff., V 408ff. Cf. also L.v. Wiese, *Einführung in die Sozialpolitik* (1910) 10ff.

⁵⁶ Cf. above, p. 156ff.

⁵⁷ V. Cathrein, *Moralphilosophie* II (1911) 529ff.

⁵⁸ We do not wish to regard individuals, but occupational organizations as "organs" of the social body.

⁵⁹ Individualism and socialism are contrasting opposites and therefore extremes, although they do not represent contradictory opposites as the logician formulates these in the abstract.

⁶⁰ Cf. Wasserab, *Soziale Frage, Sozialpolitik und Karität* (1903) 26f.

⁶¹ What we nowadays call education for citizenship provides not only civil understanding. It is also education with the purpose of providing an appreciation of the goals of political society, for the prosperity of the whole, of the whole nation and the whole national economy. Cf. Georg Kerchensteiner, *Staatsbürgerliche Erziehung der deutschen Jugend* (1910). - It was especially during the period when individualism was predominant that there was so much talk about humanity, philanthropy, and altruism, without these nice relics of Christian morality and social teaching achieving enough practical importance in the way the economy was organized. In the same way the kind of "solidarity" which is celebrated in countless toasts, talks, and articles would also soon run its course, just as the "fraternity" of the Revolution did, because they did not derive their vitality from religion and a morally sound national life.

⁶² "Social" justice calls for the fulfillment of all obligations, and the realization of all rights which have the good of society as their object.

⁶³ Cf. Rudolf Eisler, *Wörterbuch der philosophischen Begriffe* (1909) 962. - Elisabeth Gnauck-Kühne, *Das soziale Gemeinschaftsleben im Deutschen Reich* (1909) 79ff.

⁶⁴ Joh. Nep. v. Ringseis, *Lebensbild von Bettina Ringseis* (1909) 272.

⁶⁵According to Maurice Bourguin (*Die sozialistischen Systeme und die wirtschaftliche Entwicklung* [1906] 354ff.) the "social ideal" of our time can only be regarded as the outcome of historical evolution. Historical trends like, for example, the modern tendency to organization are in no way a mere abstract ideal, but rather reactions against earlier opposed and very real tendencies, and this amounts to a powerful current which arbitrary intervention and the application of force cannot easily oppose. Yet, we do not accept the idea of historical determinism, even if it does not lapse completely into the extreme position of fatalism (which Bourguin does not do). We, for our part, attribute the shaping of events far more to the conscious and free activity of human beings, to what is theoretically known as what ought-to-be, and then actively striven for; just as, conversely, the lack of such knowledge and will plays a decisive role.

Solidarism, first of all, calls for the education of the nation in the *solidaristic spirit*, especially in a sense of civic responsibility. But the sense of community, as soon as it has been adopted by large numbers of people, will then influence also the organization of the national economy, just as the economic atomism of the liberal economic system and the capitalistic spirit influenced economic organization. Where solidarism achieves practical significance, the legal order, the system of private property and enterprise, etc. will be adapted to the requirements of the natural law. People will find themselves banding together into economic and social organizations, the occupational sense will permeate all of economic life, and the various nations will mutually complement and assist each other by their cultural achievements developed in a context of peaceful competition.

⁶⁶J. Oberhauser, *Das christliche Prinzip der Solidarität und die Genossenschaftsbewegung des Mittelstandes* (1910). Oberhauser is a student of Franz Walter and he regards his own work as the fruit of Walter's work, *Theorie und Praxis in der Moral* (1905).

⁶⁷Vermeersch, *Manuel social* (1904) 560f. 644. - Even in modern tax theory, the solidarity principle shows through triumphantly. Taxes are no longer regarded merely as payment for protection by the state and, specifically, for the protection of private property (the individualistic view). Instead, it relates back to the personal responsibility of fellow citizens toward the whole community. That is why the obligation to pay taxes is not determined according to the benefit principle, but according to the citizens' ability to pay. Cf. above, p. 305f.

⁶⁸Vol. II, Chapter 1, §5.

Excerpt 4

THE SOLIDARISTIC SYSTEM OF HUMAN WORK

Translator's Commentary. This section located in Volume II of the *Lehrbuch* is, along with the one entitled "Solidarism" in Volume I, the most distinctive and important of all of the excerpts presented here. Therefore, it too is reproduced complete with the bibliography and all of the footnotes contained in the original German text (Vol. II, pp. 213-284).

Whereas the section on Solidarism in Volume I outlines the economic philosophy underlying the solidaristic system, this one sets forth its distinctively systemic features. Pesch designates that system, using interchangeably the two terms *solidaristisches Arbeitssystem*, and *soziales Arbeitssystem* (The first, 1909 edition used *soziales Arbeitssystem* only). The translator is rendering *Arbeitssystem* as *system of human work* rather than *system of labor* even though the word *labor*, like the word *industry*, could carry the same meaning. Traditional economics tends to render the notion, *labor*, as merely a factor of production, or even simply as a commodity. On the other hand, the influence of Marxian thought has led it to connote predominantly a sociological class distinction. At the same time, *industry* has various meanings in the English language, like *industry* as opposed to *commerce* and *agriculture*. Pesch had to clarify the sense in which he was using the word *industry* in juxtaposing his system to Adam Smith's *individualistisches Industriesystem*. To steer clear of

possible ambiguity, therefore, we use the word, *work*, here in order to also avoid the connotation of simply manual labor, while at the same time expressing better the personal aspect of labor, which Pesch himself stressed throughout his economic analysis.

Repeated here is the centrality of human work in the economic system, the dominance of the human being, as a worker, over nature, and the fact that human work takes place in the context of society. There is special emphasis on the *social* to set the solidaristic system apart once and for all from the *individualistic* system. And the application of the *principle of solidarity* is repeated now at three levels of society: the solidarity of (1) the entire human race, (2) citizens of the same political state, and (3) those who work, at whatever position, in the same industry or occupation. The third level is extended in a special way to the more local, particular scene, to include both employers and workers who work in the same shop or enterprise. It is notable that this excerpt, taken from the later 1925 edition, reduces to three the five levels originally presented in the 1909 edition. The earlier edition treats the local extension of the third level as a whole separate one. The other level in the original edition, that of the family, is omitted here, although Volume I of the later 1924 edition still retains the family as a fourth level, as the preceding excerpt indicates.

Here we find for the first time the term *Mitbestimmungsrecht*. It refers to the right of workers to co-determine the conditions affecting them in the overall operation of the shop or industry in which they work. The term has become commonplace in post-World War II Germany, where a law, the *Mitbestimmungsrecht*, has been in effect since the Adenauer reconstruction period. Pesch approved it with qualifications, as representing the solidarity of workers and management and owners in the same enterprise. The qualifications had to do with the reverse arrogance which various Marxian agitators and Social Democrats were instilling in workers during the immediate post-World War I years in Germany and elsewhere. In other words, management is still management, and workers are still in a subordinate, but not servile, position in the operation of a business.

The ambivalent expression, capitalism, made all the more murky by socialist invective, is dealt with by stripping it of the baggage added by its use as a Marxist category. For Pesch, the essence of capitalism lay in the metaphysical perversion, where "capital," a material factor of production and an instrumental cause of national wealth, assumed

primacy over man, the worker, who stands at the center in the solidaristic system of human work. Thus, in historical capitalism, those who owned capital and their administrators took charge of the system and operated it in their own exclusive profit-making interests. Since economists in our time prefer in increasing numbers to juxtapose the "market economy" to socialism, it is worth noting that Pesch allowed that the market economy does not rule out the possibility of providing for peoples' wants in an orderly manner. In other words, rid of the "capitalistic spirit," that ontological perversion of right order in economic life, a market economy could be established which is in reasonable harmony with right order. Perhaps significantly, the notion of a "socially guided market economy" as proposed by the German economist Arthur Spiethoff (d.1957) is mentioned by Pesch in this section. The contemporary German economy, a quarter of a century after Pesch died, began to be identified as the "social market economy."

But concordances with the present-day German economy are not the only significant ones which come to light in this outline of the solidaristic system of human work. All of the salient principles subsequently presented in social teachings by the Catholic Church in the period following *Rerum Novarum* - the one social encyclical on the economic order which predated Pesch - are found here. First, there are the three pivotal ones included by Pius XI in his encyclical, *Quadragesimo Anno*, which appeared in 1931, five years after Pesch died. There is the *principle of subsidiarity* which specifies the subsidiary, i.e., complementary, role of all higher organs of society, including the state, in economic life. That rejects the "night watchman" role assigned to the state in the liberal capitalistic order, and also the total role assigned to the state in the socialistic order. Second, there is the recurrent theme of *occupational orders* made up of all persons working in the same occupation (industry, trade, profession), which are to assume a share in the regulative role of society in economic life, subordinated always to the higher common good. And third, there is the important role of the *social virtues, justice and charity*, in ordering economic life. The various applications of justice as first presented by Aristotle, and corroborated and developed more fully by St. Thomas Aquinas, appear here, along with the explanation of the virtue of social justice. Pesch introduces here an additional concept, *contributive justice*, as a counterpart for *distributive justice* in the overall scheme of *social justice*.

In the recent social encyclicals by Pope John Paul II, what Pesch had to say about the primacy of human work over the material factors of production is clearly set forth in the Polish Pope's labor encyclical *Laborem Exercens* (1981). The position of the worker as a subject, as opposed to being a mere tool, instrument, commodity, or object for use in production is central to that papal document. The *principle of solidarity* is defined in the fully Peschian sense, in the second encyclical, *Sollicitudo Rei Socialis* (1987), where it is made the pivotal principle for social order, as it is here in "The Solidaristic System of Human Work." We also find repeated almost verbatim in this section by Pesch the papal disclaimer that it is not the place of the Church to establish an economic system, but only to provide guidelines relating to ethical conduct in such a system.

Finally, one favorite Peschian theme is found here again: the need to "socialize people" in economic life, not to socialize property and the material means of production, capital and machinery - which is in any case an etymological incongruity. Thus, there is express support for establishing economic democracy in the workshop, for example, to complement and reinforce all of the stress on political democracy since the time of the French Revolution. Indeed, Pesch extends this all of the way up to the national level, as he proposes here a kind of economic parliament made up of representatives of the various occupational groups who could represent their interests before the legislators. Unlike the ubiquitous lobbies of our time which work obsessively in support of their own selfish interests, these would operate in the open where they would be kept in check by the other groups, and ultimately by considerations of the overall common good.

Also worth noting here are prophetic insights in predictions not only about the inevitable downfall of the communistic system, then just in its infancy, but also about the deadly effect that capitalist society would eventually have on family life. Finally, it is important to note the modest pretensions of the man who, even after his monumental labors at designing the outlines of the solidaristic system of human work, acknowledged that the theorist can only provide the basic raw materials - the "metal ingots." It is up to the practitioners in given times and places to place their particular imprints on them: "Theory provides the soul. Praxis builds up and develops the body."

MOTTO: *Sie, da entbrennen in feurigem Kampf die eifernden
Kräfte,
Grosses wirket ihr Streit, Grösseres wirket ihr Bund.
Tausend Hände belebt ein Geist, hoch schlaget in tausend
Brüsten, von einem Gefühl glühend, ein einziges Herz,
Schlägt für das Vaterland und glüht für der Ahnen
Gesetze."*

Schiller, Spaziergang¹

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The problem of economic organizations has to do with the orderly cooperation and working side-by-side on the part of all of the sectors of political society in the production of economic goods, and also at the same time with the proper sharing of these goods on the part of the whole nation. Is it possible, however, to harmonize the efforts of the various factors without abolishing freedom, economic independence and the competitive instinct? How must cooperation be structured then, and how must the distribution of goods take place so that the objective of the economy - providing for the needs of the people as the national welfare requires this - can be accomplished and sustained? That is the paramount theoretical as well as practical question. It is the object of the research efforts of economists as well as of the endeavors of statesmen.

All such questions, as we will demonstrate, are dealt with satisfactorily in a kind of economic system which we are calling a *social* or a *solidaristic system of human work*.

It is an *economic system* because it deals with the structuring of *the way in which business is constituted* and with the organization of the national economy. It is a *new* system in the sense that it alters

Adam Smith's system of industry by providing a *solidaristic foundation with social regulation of the economic process*. It is not new, insofar as its main current of thought had already found ideological expression in reformist efforts during the period prior to World War I.

38. The Basic Premise of the Solidaristic System of Human Work. There are three leading principles which we already established in the first volume at the start of our investigation.

Man is the *lord of the world* ; and that means the *working human person*, and also *man in the context of society*.

1. Man is the lord of the world which must provide him with what he needs to satisfy his wants. The basis of this dominion is immutable, just as the sensate-rational nature of man is immutable. The particular historical expression which this dominion takes on is, of course, subject to change. As human nature is common to all, so also dominion over the material world is the common heritage of all of mankind. All are called in one way or another to share in this dominion. The intensive and extensive growth of the role which all have to play in this dominion and the objective extension of mankind's subjugation of the world to the service of its needs is the mark of an advancing culture. Man is quite consistently at one and the same time both the subject and the end of economic activity. He is always and everywhere the master over the forces of nature and the world of material goods which provide him with the object, the means, and the conditions for his activity. He can never be an object, a mere means, or a tool. Even the humblest worker participates in this role which man occupies in the material world as the subject and goal of economic activity.

2. It is the working human person who is the lord of the world, with labor being the inevitable means for exercising dominion over the world, so that work is for man a natural necessity. How adequate the goods are which man has at his disposal depends on man's labor. Without continuing, and even exhaustive and orderly human industry, mankind cannot sustain itself, and the material world will not serve men's needs; nor will there be development or progress either for the individual, for the nation, or for the human race as a whole! However, labor is also a moral necessity. It is a universal requisite for all mankind, and it is also a law binding on each individual human being. Economic activity is also a universal requirement binding the whole

human race, and this applies specifically also to the physical labor which is required to provide for his material needs. However, such physical labor is not mandated for each particular individual member of the human race. It is also possible to render useful and lasting service for the survival and advancement of the human race without taking a shovel in hand or by performing factory labor.

Whereas work is an obligation for man, it also his right, and it redounds to his honor. Respect and even reverence are due to human labor, and that applies also to lowly types of work. The latter is necessary too, and indeed, it is precisely in such labor that one often finds a high degree of painstaking industry, of conscientious application, and harmonious effort. Properly directed, any kind of work will ultimately be a source of joy for man. Among all of the things which can burden mankind, work is the least oppressive.

3. We are talking about the working human person *in the context of society*, where he finds his fulfillment and which he is suited for and in need of; the working human person in the context of society where he works with others of his kind, *unitis viribus*, by division of labor and also the combination of efforts, who has regard for the well-being of others, and who also knows how to subordinate his interests to the higher interests of the community. We refer to the working human person in the context of society - in other words: the working nation of people which is aware of and cherishes the advantages of its land area, which exercises dominion over it and brings the national energies of both sexes to bear in it, and which also brings the individual and social capabilities to their fullest possible development so that a plenitude of talents and abilities will not be wasted by suppression or sloth, which understands also how to keep economic, social, and political conditions in line with justice so as to serve the common good, and which time and again emerges victorious over all divisive, alienating and destructive forces by virtue of the ideal and the vital energies of the community.

39. The Working Human Person is the Principal Cause of the National Welfare - when understood in this sense, meaning the working person or simply the nation at work.

And this working human person must be accorded *his proper position and role in production and distribution*. We say: the working human person, not merely the working class, but also *the middle class*. We work for its preservation and enhancement with equal love and care,

because a healthy national economy will not tolerate a condition where the whole nation works in the service of a few lords or even in the service of one lord - as is the case in communistic society.

We say, the working human *person*, not merely the working *hand*. The intellectual labor of the entrepreneur and of salaried personnel must also be accorded its proper merit. Furthermore, aside from and over and above the everyday material needs, there are also higher non-material, spiritual and moral needs which must find fulfillment for men. The economist does not deal with these, but he respects and honors such needs, whose satisfaction is certainly conditioned by the achievements of material production. "I respect two persons and two only," said Carlyle: ²

First there are the workers who exert themselves with tools that have been fashioned from materials extracted from the earth so as to bring that same earth under control and place it in the service of mankind.... The second man whom I respect, and even more, is the man who works to produce the things which are indispensable for the human spirit, in other words, not for his daily bread but for the bread of life!

We say: the working human person, because we are passing judgement on idleness, but just as importantly, on the unbalanced views of mercantilism and physiocracy. We simply maintain, along with Adam Smith, that human industry is the cause of the national welfare; and that means not merely agricultural work, and not merely commercial and industrial activity. As a general rule, only that nation is on an economically sound basis which embraces all of the various productive sectors, agriculture, industry, and commerce. Only such a nation is well-organized which understands how to promote and maintain all of these in a sound condition. Farming, industry, and commerce are all equally legitimate factors. Without in any way wishing to minimize the importance of the factor, nature, for production and for the wealth of a nation, and without denying the productivity of natural energies while ascribing productivity and value exclusively to human work, the purposeful personal activity of human beings guided by the human intellect is not the only factor, but it is the highest and most important cause in the formation and the promotion or restoration of the material welfare of a nation.

The working human person is the *principal active cause of*

production. Our natural environment with all of its powers constitutes the object, the condition, and the means for production. Where nature acts as an original productive force (as in agriculture), it is under human guidance and therefore remains the principal *passive* cause. The factory, etc., is a condition, while the machines, etc. act as the instrumental cause of production.

When we talk about the production of some particular economic good, there are significant differences in how important the various factors of production may be in such production. In building a house, for example, human work plays a dominant role. A diamond, once it is discovered and therefore at man's disposal, does not derive its chief value from human activity. If we are dealing with riches taken collectively - a sum of goods and services, a fund of wealth for taking care of human needs, or inherited wealth - then, even where nature may have been a contributing factor, such riches are usually traceable for the most part to human work. This is even more decisive where we are talking about welfare as the condition of the material well-being of an entire nation, down to the lowest classes, and where it is a question of providing for all classes the material means for satisfying both their material and their non-material wants in a manner which is in conformity with human dignity, with what they themselves have earned, and also with a standard of living that is in line with the particular time and level of culture. At this time we have to recognize what the social factors, like the state, the community, the cooperative, the occupational group, contribute to what individual work alone could accomplish in achieving and maintaining that standard of living. Along with activity, sacrifice is also necessary. Without a certain amount of concession, there is no harmony of interests, and without a harmony of interests there is no assurance for the national welfare! State authority when properly exercised internally and also in dealings with other nations, and the level of the overall culture of a nation along with its general industriousness are as a rule associated with the higher levels of material welfare, assuming that external conditions are not too unfavorable, and that they condition each other reciprocally.

Work is the principal basis for acquiring goods and services. In a social order based on private ownership, it is not the only basis for it. In such a society allowance must also be made for legitimate acquisition based on ownership, so long as such ownership does not violate the rights of others or of society as a whole. The inheritance

right is especially necessary to motivate people to provide for the future generations, and for the willingness to undertake long-term investment. Furthermore, aside from personal contributions there are also material ones which are entitled to a return. Even so, by far the largest portion of the national income has to go toward providing just remuneration for human work. We must emphasize that the economy is not supposed to be a place of plunder, but a place for work. No one who is able to work ought to live off the work of others without himself rendering worthwhile service. Drones, as we said elsewhere, are accidents of history, of personal folly, or of unhealthy social developments, not of nature or of a reasonable order of things.

What we have said serves to explain why we call the solidaristic system a *system of work*. In what sense then is it a *social* system?

40. The Concept, *Social*, in the System of Work. When we refer to the system of work as a "social" system, the word, *social*, is being used in the most comprehensive sense of the word.¹ We are stressing as emphatically as possible the *community* as opposed to its atomistic dissolution, and the *sense of obligation to the community* as opposed to the individualistic cry for freedom. The social system of human work is therefore a system where the sense of community is a predominating idea. We are proposing a vital community of people whose ultimate guiding principles are *justice* and *charity*. We propose further the harmonious coexistence and cooperation of persons and nations. And we stand for the kind of communal living in political society and in other associations operating within the state, which is conducted in an orderly manner by virtue of its purpose, by authority, and by law; and we also stand for efforts to freely unify and to combine and to organize jointly the energies of individuals and of the various occupational groups within the context of both private and public law, in order to safeguard and promote these so far as they themselves are concerned, but also with a view to the difficulties and dangers which come along with economic development. In other words, the system of human work is *social* because it accepts the *principle of solidarity* in its full and complete sense, but especially because it brings to bear those obligations in solidarity which stem from the moral organic unity and community implicit in the very nature of political society and of the national economy, and which flow from the purpose which the state and the national economy serve for individuals and for associations, as

well as for the whole community and the governance of the state.

The watchword in the social system of human work is the *socialization of people*; and this is proposed in opposition to a communistic *socialization of the means of production*. Now the socialization of people involves the threefold solidarity which was mentioned in the first volume:⁴ the solidarity of the citizens of a state, the solidarity of the members of those who work at the same occupation, and universal human solidarity.

1. *The universal solidarity of all of mankind* is based upon the membership of all persons in the all-embracing family of God. It governs person-to-person relations as well as nation-to-nation relations.

The human dignity which all men share in common because they are all created by the hand of God, the common supernatural destiny of all of mankind, the common road which all men must travel here on earth in striving toward that destiny, with all of its helps, dangers, struggles, hopes and joys, - those things make up the all-embracing natural bond of brotherhood of all of mankind; it forms the most universal moral framework for human society in human consciousness. It is only in this context that social bodies of a lower order operating at a more limited and subordinate level of the human community will once again be able to reconstitute themselves; and they will be able to do so without forfeiting their allegiance to the overall community of mankind. On the other hand, wherever this moral bond of universal brotherly love is impaired, purely egotistical special interests move into the foreground. Hate, greed, and brute force become the dominant motivations in social development....That, we all recognize, was the condition in the pagan world after it sinfully abandoned the true God who is the only possible social rallying point for all nations in all times.⁵

It is because this noble bond of charity is lacking in our time, that we are again face to face with a terrible situation where man is "a wolf toward his fellow man" (*Homo homini lupus*). Without God at the center of society, without charity which goes along with an observance of all obligations in justice, that noble idea of a *League of Nations* remains sheer fantasy, or a horrible idol which nations would only pay

homage to under physical duress.

2. *The Solidarity of Citizens of the Same State.* The state is more than merely a mass of individuals who happen to dwell side-by-side. It is a moral-organic unit, a national community dominated by the purpose of working out the public welfare as being the state's purpose.⁶ First and foremost each man is his own person. But after that, each person is also a part of that organic unit which makes up the political commonwealth.

Citizens of a political state are morally obligated by the common purpose of the state. They ought also to serve the public weal by their role as economizing citizens, both in a positive manner by their economic contributions, and also in a negative manner by taking care not to harm the rights of others and the overall common good in their quest for gain.

By such a conscientious regard for the general welfare, the economy will be transformed from a mere plurality of private economic units into a social unit, without thereby thrusting aside or suppressing this plurality of private economic units.

As a social unit, the economy also has a task to perform so far as the material aspect of the public welfare is concerned. It fulfills its mission in this area by providing the nation with material goods in a manner appropriate to the level of culture which the nation has achieved.

In this respect, the economy is also a working community. The economic process is not an arena of opposing interests, but instead, a place where individual economic units and forces work with and for one another.

Work therefore emerges as an obligation to perform a certain task and as the performance of specific functions. It is a conscientious cooperative effort among those who work at the same occupation and, at the same time, with those who work at other occupations so as to fulfill the common purpose: meeting the needs of the entire nation where people work one for all and all for one in the service of the whole, and where each person may work out his own welfare, not at the expense of others, but rather in harmony with and for the welfare of all.

3. *The Solidarity among Those Who Work at the Same Occupation.* As a vast social organism, civil society needs an organic structuring of its parts. The individual person is a "member" of that organism only in the sense that he is a "component part" of society. In the strict sense, it is the occupational groups which are the real *organs* of society. It is

proper to the organic conception of society, therefore, that those who work at the same occupation should unite into *occupational communities*, form *social-occupational organs*, and therefore provide the economic structure for the economic side of life in society.

The *occupational corporation* is necessary in all times, the present as well as in the future. Where it is lacking, social and economic organization is incomplete. But the particular form which the occupational organization takes will vary through the various periods of history. The guild system belongs to the past. Present-day organization must be adapted to the needs of our own time. There are greater differences within the same occupation today than were present in the medieval handicraft state. A modern occupational organization must therefore, as Schäffle indicated, be more flexible, more accessible, more specialized, but at the same time more comprehensive if it is to gain acceptance and prevail and bring about a condition wherein freedom and order will exist side-by-side. The absence of a relatively complete system of occupational groups suited to the needs of our times, "has made governing extremely difficult, has forced the use of mechanical means to unite society, and it has forced the state into a centralizing trend where it tries to play the role of Providence for one and all."⁷ (Schäffle).

The occupational organization is an *occupational community*. The same occupation has common interests. Here too the motto applies: "One for all and all for one." The occupational corporation serves as the solidaristic spokesman for the interests of the group. It will cease being a social organ in the social body, however, as soon as narrow group egotism becomes its predominant motive in representing the interests of the particular occupation.

If work is a universal human obligation as well as a social obligation for each citizen toward his fellow citizen and all of society, and if it is an occupational obligation inasmuch as civil society needs the various occupations for its welfare, i.e., for carrying out the purpose which civil society imposes both on its citizens and on their leaders, then the work of the various occupations, organized into social organs, represents a definite *social function* in the service of the welfare of the entire nation, and also a kind of quasi-official structure within the working economic community. And if the members of any occupational group continue as individual citizens to be *obligated to the common good*, the same holds true after they are organized into an occupational

group. The group may be as zealous as it wishes in representing its interests. Yet, it must never forget that it is only a part of the whole, one organ of the social body, and that it must subordinate the solidarity of the occupational group to the *solidarity of the higher community*, i.e., to the *solidarity of all citizens*. It must be ever mindful that the interests of the group, like the interests of the individual have to be reconciled with and subject to the general interest of the whole of civil society and of the entire national economy.

Occupational solidarity also extends in particular to *the relationship between workers and employers*. The worker as a person is, as we have seen, called to participate in exercising dominion over the world of nature. In the economic order he is a part of the *subjective order* of things. He is not the entrepreneur, but he is a *producer and a helpmate* of the entrepreneur, and as such he is involved in carrying out the instructions of the latter. Nevertheless, he is *never a mere means of production*, and he may therefore never be regarded and used merely as a means of making profits for the employer. Inasmuch as he is entitled as a human being to insist upon total protection of his personality and of his undeniable rights with regard to his working conditions and in the performance of his functions, he continues to be independent as a working person also insofar as the remuneration for his work is concerned. His work should afford a decent human livelihood, and it must provide and assure for him and his family a level of welfare that is in keeping with his abilities and his performance. It would therefore be a one-sided exaggeration of the strictly private aspect at the expense of a proper regard for the national economic aspect, if the wage were regarded solely as just another cost, thereby forgetting that the wage is for an important part of the nation its income and the basis for its survival.

Those who work for wages and salaries are involved in an *occupational partnership* with the employer, since they have a stake in the success of the enterprise and are responsible partners in the social process of production. The acceptance and application of this important principle is an all-important step on the way to genuine "*socialization*." It will serve to establish the basis for building the relationship between workers and employers into a *solidaristic community of interest and work*, so as to replace divisive class antagonism with a unifying concept of occupational unity among those who direct and those who carry out their directions in performing the work of an industry. Certainly there has been a growing number of

employers who no longer feel the need to play lord and master, and who recognized that the paternalistic system too has become a thing of the past. Some employers understood well enough how the feeling of dependence along with the sheer fatigue and the monotony oppressed the spirits of their workers; and they saw to it that the feeling of alienation, of abandonment, and of oppression did not bear down on their employees. As an ideal prototype of such an employer, we have the fine example of the Gladbach industrialist Franz Brandt. Yet, there remain too many of the other kind of employers who have not yet been able to adopt a proper psychological attitude and an ethical acceptance of the workingman's condition. This is true despite the fact that there is such a large stake in the worker's ability to identify with his industry and the role he plays in it. It is so important that he does not see himself simply as another kind of commodity alongside dead capital, and that he recognizes how the business is also his business to a certain degree, and that he must take a genuine interest in the enterprise because his own worth and interest find recognition and practical realization in it.

Employers, salaried employees and workers in the same occupational group have united themselves into various organizations. Such organizations should, however, not become representatives of the interests of particular groups in the industry in opposition to other particular groups in the same industry. They should instead keep in mind also the common interests and obligations of the whole industry. Such a concept of a wholesome working community of workers and employers and of their associations is to be found, for example, in the provisions of the agreement of 15 November 1918 concluded among the respective associations. Accordingly: the working conditions for all men and women workers are to be established for a particular industry by collective agreements with the industrial organizations of employees. For each operation having a work force of at least 50 employees, a labor committee is to be established which will represent the workers and which is to see to it, along with the employer, that conditions in the operation are regulated in accordance with the collective agreement. The determination of working conditions by large associations of workers and employers can only be expected to arrive at a general or average kind of norms. On the other hand, living up to the provisions of the general agreement, especially the labor agreements, can only take place according to the specific needs of each industry.

Even the various branches of the same industry are distinct and have their own peculiarities with regard to location, the layout of machines, and to some extent, with regard to the placement and training of the workers.⁸

In place of the worker and salaried employee committees which had as their function seeing to the needs of each individual enterprise, "*works councils*"⁹ are to be established with a wider range of functions and rights.

For our part we would not deny that a *moderate and limited right of co-determination* involving workers and salaried employees (separate sections for each group in the works councils) would be a good way to elicit a greater interest on their part in the problems and success of the business, as well as a stronger sense of responsibility and more enthusiasm for their work. Nevertheless, even with such a right of co-determination, limited so as not to infringe upon management's right to manage, certain prerequisites are to be observed. 1) The working people must once again rid themselves of the spirit instilled in them by Social Democratic agitation and the revolutionary atmosphere of our time. Among workers too, a certain air of dominance can come to the fore. If workers do not regard themselves also as responsible partners but merely as controllers and overseers of the business operation, then the works council will never and in no way "support the employer in the management of the operation and offer him the best possible kind of performance."¹⁰ The opposite will be the case wherever the unifying bond of *solidarity* between workers and employers is severed, and where recognition is lacking that the concern for good performance is a moral and professional obligation binding on workers as well as on management. 2) Since each individual shop is but a branch of the wider unit making up the entire industry, the works councils have to remain within the sphere of influence of the unions. They may not go beyond the scope of the union organization covering the whole industry. The unions were formed by the workers themselves, and they have become powerful through great sacrifices. They are the single most important means for determining wages and working conditions. They have experience in these areas and considerable awareness of the particular problems in their industry; and they have a realistic grasp of what is and is not possible. If the works council has as its task to apply the general agreement to its particular circumstances, then it must also be bound by the general wage agreement in working out its

particular wage pattern. If the works council begins to operate independently of the unions, then it will lose the strong underpinnings which the unions can provide; and it is likely to lose what practical value it might have for the workers. It may also be expected of works councils, if they are run as they should be, that they serve to bring about good rapport among all of those who are a part of the business. This excludes irresponsible attitudes toward strikes. Only where work is recognized as a professional obligation and as a social function will there be a solid basis for a workable system of reconciliation and arbitration. Then strikes will be a great rarity; and in industries which are deeply affected with the public interest they will be excluded altogether.

The kind of peaceful relationship between workers and employers that is required for the interests of both parties can only profit from a *fuller corporative unity* of occupational organizations, wider-ranging formation of the *working community*, and the more complete development of the social organism, starting at the lowest level of the *individual shop* and extending upward to *regional* organizations and finally, all of the way to the level of a *national economic council*. This latter body then must lay the groundwork for legislation by the political parliament. Expert testimony by the *General Association of Christian Labor Unions* produced this statement: "At the top level, all of the experiences, initiatives, and testimony of the various occupational organizations must come together and be boiled down to practical proposals for legislative action on industrial matters as well on economic and social policy, so as to provide the directional basis for political-parliamentary bodies." This development of social organs is naturally not limited to workers and employers in industry, but in its complete fulfillment it embraces all stations in life throughout the whole body of society.

We cannot go into specific details here.¹¹ We nevertheless reserve the right to discuss this matter in other contexts.

41) Individualism, Individualistic Capitalism, Collectivistic Socialism as Opposed to the Social System of Human Work. I. Individualism has the individual person as its point of departure. It envisions the solution to the human problem and the welfare of all humanity as proceeding from the free action of the individual. In the religious and philosophical spheres this means free

inquiry; in the political area it adds up to no more than the sum total of individuals, and in the economic area it signifies the free play of self-love, of individual self-interest.

When we speak of individualism as an economic system, we have in mind the individualistic doctrines of Adam Smith, and the philosophical theories of Herbert Spencer and others, about the struggle for survival along with a call for the completely free exercise of superior individual power and cleverness, even though the weaker ones will be destroyed in the process. We have in mind also Manchester liberalism and the radical individualistic teachings of the German school of free trade, etc. This brand of individualism has encountered much opposition, but it would be premature to say that it has been completely overcome either in theory or in practice. It is the system which enabled what we today call "the capitalistic spirit" to achieve its fullest development. With it came that materialistic quest for gain which neither knew nor recognized any concern or pity for anyone else. Certainly the pursuit of profit is a legitimate motive in the area of economics.¹² The trouble is that for materialistic individualism it became the ultimate norm. All objective moral norms concerning right and wrong were simply disregarded in economic activity, while economic theory was required to "abstract" from them and to steer clear of "ethical" discussions.

I. In the individualistic system, the national economy lacks, first of all, unity. There the economic "laws" are simply laws governing exchange relationships. A true organizational principle is missing which would bind together individual economic units into a higher kind of unity. The national economy is simply the sum of private economic units, each of which is concerned only with extracting as much gain for itself as it possibly can with no holds barred. The sum total of all of the relationships resulting from exchange transactions among all economizing individuals is called "*society*." This "*society*" occupied a position which was quite *independent of the state*. The state was, as a matter of fact, limited to its own territorial boundaries, whereas that "*society*" extended and operated beyond the state's boundaries in world trade. At times there was still reference to the national economy - a nice expression which, however, had no real application in the individualistic economy. Secondly, It lacked the kind of structure among its component members which is a part of every organism. Cooperatives were tolerated. Eventually cartels were formed too - "the children of need," as Kleinwächter, the first author to write about cartels

called them. They were social bodies which did not provide a real skeletal structure for the economy. They were merely economic and business organizations designed to serve private enterprise. *Occupational organizations* were excluded. Third, a unitive purpose for the national economy was also lacking. Fourth, there was no regulative principle for economic life. Fifth, there were no regulative bodies; and therefore there was ultimately no protection for consumers insofar as the quality and the price of merchandise was concerned. Everything was dependent on the "free play of force," in an economic arena where no holds were barred and where there were no rules. How hollow it sounds to speak of free competition as a regulating principle when free competition itself needs regulation for its three components: self-interest, freedom, and the pursuit of profit. Besides, the free market where such competition prevails must eventually negate itself by forming into cartels so as to work out a pattern of regulation.

Individualism represents a mechanism. It has no intrinsic binding force, no inner organic unity,¹³ no coordination or direction toward a common goal. Thus competition there does not amount to contention in the performance of functions toward the fulfillment of a common purpose, but it is rather a relentless conflict among individuals. Authority remains as something extrinsic to this process rather than an intrinsic principle of society. Its task is simply to prevent the worst kind of mayhem, like the policeman in Berlin on New Year's Eve.

II. When someone uses the term, *capitalism*, we have to ask exactly what he means by *capitalism*.¹⁴ That is because the word, *capitalism*, is used with various meanings, and it has to a large degree degenerated into a slogan.

For example, it used to mean a kind of economy where *capital*, the *produced means of production*, played an especially important role. Even collectivistic socialism cannot dispense with that kind of "capitalism." The "capitalism" which collectivistic socialism opposes is an economic structure where there is private ownership of the means of production, a *private-enterprise type organization* of the economy in which the quest for private economic gain is the plain and simple objective.

The kind of "capitalism" to which we oppose the social system of human work is not "capitalism" as understood in either of those two ways. In other words, it is *not technical capitalism*, *not the ownership of capital* as such, or the *quest for profit as such*, or the *private-*

enterprise type organization as such. What we have in mind instead is the unbounded dominion by those who own capital, which stemmed from the *individualistic, free enterprise degeneration* of private economic organization, along with the unrestrained pursuit of profit. Our rejection of such "capitalism" therefore ultimately comes to grips with the individualistic, free-enterprise economic structure itself, which has brought about grave damage to the national economy, and has in fact invited its extreme opposite - communistic socialism. The inordinate freedom of the individualistic system made possible the exploitation of raw economic *power* which came with capital ownership; and it led to the *dominance* which came with large aggregations of capital to the point where the middle class was *overthrown*, where smaller competitors were simply destroyed, and where a *concentration* of more and more capital in fewer hands occurred, leading to the *exploitation* of consumers and propertyless workers. Instead of a moderate striving for gain, we ended up with the worship of Mammon and a usurious lust for profit that was without mercy. Providing for the needs of the people came to be less an objective of the economy than it was the *means* for private enrichment. The subjective purpose of private acquisition now ranks above the objective purpose of the national economy. The private economy rules over the national economy.¹⁵

Adolf Wagner says,¹⁶

Big capital becomes ever more powerful economically, socially, and politically, and it persists in its power to attract and to bring about combination. Small and middle-sized businesses, and even large firms and estates are undermined in their capacity to fight off the tendency of large-scale, private capital to absorb them. A process of dispossession and disinheritance occurs. The inevitable process over the course of time involves the formation of *latifundia*, of a rentier system, and the establishment of a proletariat. Large sectors of the population find themselves in a new state of dependency on private capital. Frenzied speculation extends over an ever-widening range of economic sectors. The inevitable side-effects, crises and depressions, generate untold misery among the guilty as well as among innocent bystanders. Everything becomes fair game; and everyone gets involved in the game of trying to profit from the ups and downs, and even to promote them for one's own advantage.

All of the accomplishments of the human spirit during the 19th century thus became merely play-things for sterile speculation. In their turn they simply serve to make production all the more irregular and the quest for gain all the more insatiable. In the process, certain people pile up immeasurable wealth, although this does not always make them happier as human beings, or even more satisfied; while far more persons are made ever more dependent and insecure both insofar as their daily lives are concerned, and also in their particular walks-in-life. Thus everyone becomes more dissatisfied, greedy, and sullen.

*All things have their price, but man has his dignity!*¹⁷ In the first volume¹⁸ we saw what we had occasion to repeat again in this context, that man stands at the center of the material world as its lord and master. Thus, by virtue of his sensate-rational nature, he is capable of progressively extending that dominion; and by his efforts he can perfect and protect it. In the economic order man ranks as master, not just as another economic good. He is never merely an object or a tool, but always the subject of the economic system and the end for which it exists.

In the individualistic free enterprise system we find that capital occupies the central position. Now capital is needed to intensify labor's productivity by increasing the division of labor - something which happens as better and newer machines are introduced. It also brings about an increase in the employment of labor. In the final analysis, the magnitude of a nation's wealth does bear a relationship to the growth of capital or to the possession of capital. That is why Adam Smith, and even more so Ricardo's school of thought, placed such great importance on capital formation as an immediate goal of the economic process. The capitalist era accomplished much in the areas of technology and organization, and in the development of large-scale industry where the needs of large numbers of people can be satisfied by the application of copious resources. Also among its accomplishments are a complex, sophisticated system of accounting, and the establishment of a system of transportation and communications.¹⁹ However, the essence of that kind of "capitalism" as it developed in the individualistic economic framework and under the protection of an individualistic system of property ownership and management, is not coextensive with the function of capital in the economic process. In capital there is economic

power, the power of ownership,²⁰ the power over goods and over people. The individualistic system of capitalism replaced the dominion of man over the world with the dominion of capital over people.²¹ As a result the dignity of the working human person was dealt a shattering blow.

We became accustomed to treat "capital" and "labor" as though both were material things, and to represent them together as factors of production. Now capital is of its nature impersonal, whereas work is a personal activity. However, this difficulty was dealt with by demoting work or labor power to the level of a "commodity."²² Human labor, which is of its very nature something personal, was reduced to the service of capital which was something impersonal; and, in fact, by virtue of the way in which the working person was treated, that "capital" all too often turned out to be downright inhuman. It had no other destiny than profit; no norm other than its own advancement; no other principle than the native instinct of self-love and the satisfaction of its owner. It sought to be not only the leader and manager, something that was clear in the nature of things, but also the lord and master over the worker. "I do not regard Gurth, the serf of Cedric, who wore an iron collar around his neck, as a picture of human happiness; but he appears to me to be fortunate as compared with many people at the present time, even though these were not born as slaves to someone else." Who is not reminded of these words of Carlyle when he had a chance to observe the conditions in many a workshop operating under the banner of egocentric capitalism? Tugan Baronowsky said,²³

I see in the capitalistic economic system an insoluble intrinsic contradiction by virtue of which it is destined by iron-clad necessity to collapse. This contradiction lies in the fact that capitalism turns the working person into a mere tool, at the same time that it promotes the legal view of the human personality as being in itself the highest end. That, after all, represents a conflict between the fundamental economic principle and the fundamental ethical norm which affirms: Man, and in fact every rational being, exists as the end purpose in its own right, and not merely as a means to be used arbitrarily for one or the other purpose. Instead, it must in all affairs relating to itself as well as to all other rational beings be treated as the end for which the economy exists.²⁴

And for Wagner too, "the social problem is nothing more than the dawning awareness of the contradiction between what has happened in the economy and the dynamic social principles of liberty and equality which have been held up for us as ideals, and toward which political reality has in fact tended."²⁵

The capitalistic system of free enterprise was able to propel production to a high level, but it was not capable of distributing the product throughout all of society in a manner which would bring about the material well-being of a nation.²⁶ It not only robbed a man of his dignity, but all too often also of the *price of his efforts*. Unrestrained competition ended up in monopolization. Speculation shaped the market and determined the price structure. Excessive profits took the place of the fair return to labor. Even someone who rejects the Marxian concepts of value and surplus value will have to recognize how dangerous is the capitalistic and speculative appropriation of surplus value, which bears no relationship to any real services rendered to society. It is simply not possible for an entire nation to go on working indefinitely for the well-being of a handful of capitalist magnates and speculators.²⁷

Now there should be no more misunderstanding when we indicate how *individualistic capitalism* stands opposed to the solidaristic system of human work. *The former grew out of the individualistic notion of freedom for private enterprise and the perverted principles and policies which prevailed during the era of liberal economics. There the principal bias of the economic structure was toward serving those who owned capital and their financial interests, rather than the general welfare of the nation. More concisely, capitalism is the unfettered subjection of labor and of the entire national economy to the dominance of capital and the unlimited moneyed interests of those private persons who own capital.*²⁸ *Even more succinctly: capitalism is the dominion over the national economy by the moneyed interests of the capital-owning class.*

In this sense of the word, "capitalism" has involved an understanding of how to extend the dominion of those who own capital far beyond the limits of the economy, so as to involve also the political and cultural spheres. It controls the press, the sciences, the arts, the schools. It has taken great pains to represent as "cultural enlightenment" the spread the poison of the materialistic *Weltanschauung* throughout the entire nation, and notably among the working classes. It has undermined

individual as well as social morality, devastated family life, contaminated social intercourse, and divided people and nations into hostile armed camps. "The gulf between the aristocratic part of the citizenry, those who own property, the bourgeoisie, and those who are without property, among them those who work for wages, the proletariat, has become obvious not only in the actual external manifestation of riches and poverty, but also in the depths of their hearts."²⁹

After individualism has infected all spheres of culture, starting with the religions, it eventually extends down to the material economic level and bankrupts that too, in a manner which is painfully apparent to one and all. Thus plagued by the abuse of the power of capital, the people, in their desperation, seek salvation in another *extreme* which is opposed to individualism, namely communistic socialism.

III. *Collectivistic socialism*, however, does not provide any assurance for the welfare of the working population. Without recognizing or acknowledging the fact, socialism operates partly on premises which stem from an alien *Weltanschauung* and science.³⁰ It stresses, as we do also, the notion of property and of labor as oriented toward the human community. It inveighs against the capitalistic principle of the individual quest for unlimited profit, and it proposes instead that the goal of the economic process is meeting the needs of all of society. It talks about brotherhood and solidarity! It becomes farcical, however, because of its naive one-sidedness and its incredible exaggerations for which materialistic philosophy offers the appropriate background music. There is talk of "social democracy" which turns out to be neither democratic or social. What you end up with instead is ochlocracy and mob rule taking the place of democracy and rule by the people. Can we call something "social" which fragments the community? Rule by the proletariat is supposed to take the place of rule by those who own capital. Class egotism and class dominance - only the roles are reversed! And that calls itself "social!" Instead of bringing private ownership back to what its real purpose is, and setting up the proper limits which the general welfare calls for, and instead of bringing to bear in a proper manner the social nature of work which was lost sight of by egotistical capitalism, it allows property and labor to be confiscated by society. Instead of restoring, fostering, refining, and fulfilling the social structures which nature and human ingenuity have developed throughout history, socialism forces and compels its "comrades" to eventually join

one, immense, all-embracing commune, which by the mere fact that it excludes all other social organs becomes a veritable Leviathan. Such a monstrosity does not serve the general welfare. Instead, it preempts entirely the task of trying to fulfill the needs of every individual. It is a huge welfare asylum, therefore a prison populated by dependent and unfree human beings. We are not prepared to assert that a socialistic order is an absolute impossibility. We are certain of this much, however: a communistic society can hardly last very long. That is so because it makes *super-human demands* on some central administration, and it *sacrifices genuine human liberty*, but also and especially because it cannot come to grips with the problem of distributing income according to the varying kinds of labor which people perform, so that it cannot deal fairly with labor and the working human person.

As Carlyle has said,³¹

It is not what a man owns that constitutes his fortune; nor does what he lacks add up to his misfortune. Mere hunger, deprivation of every kind, even death - these, men have suffered even joyfully when their hearts were oriented in the right direction. It is the sense of injustice which they find it impossible to bear. The most primitive native will not put up with unjust treatment. No man will tolerate unjust treatment, nor should he. There is a law which goes deeper than any other - a law imprinted by God directly in human nature eternally preventing man from submitting willingly to injustice.

And communist society has to be unjust if it does not wish to almost immediately do itself in, that is, if it does not wish to see communist equality evaporate into a new inequality of property and therefore into a new class structure. If it proposes to give to all alike, it cannot give to each what he deserves. It cannot do justice to the natural diversity of talents, effort, and application, and therefore to ethical considerations. To implement this unnatural equality, it must eventually suppress all sense of fair play and freedom by brute force. Humanity, however, being in the final analysis made up of individuals, will not tolerate indefinitely a state of affairs where the human person is usurped and swallowed up by the "comrade."

Those who have worked to uproot the Christian faith from the hearts

of the working people, and to seduce them into accepting materialistic madness, are already beginning to reap the bitter harvest of the Godless world-view instilled in these same, now irresponsible masses. We have only to indicate the dissipation of values, the destruction of our credit-worthiness in the eyes of the whole world resulting from internal upheaval, which prevent the restoration of our foreign exchange and our international trading relationships. Look at the severe damage to our domestic commerce which is unable to revive because of the generalized state of insecurity. Look at the paralysis in our industry threatened, as it is, by socialization of one form or another. Consider the mad clamor for ever higher wages, along with labor shirking, political strikes, and "wild" socialization measures. Has not the very first debut of collectivism already turned into an incredible fiasco? Are we not dealing here with one and the same materialistic spirit - the spirit which once drove capitalism and now runs riot in the hearts of the working people - the spirit of self-seeking, greed for gain, and a quest for consumer satisfaction?

The *economic impotence* of communistic socialism must become ever more clear once the socialization process as conceived by it begins in earnest. Proletarian dictatorship and socialization belong together. Marxian doctrine and the *Erfurt Program* call for that. It means that things have to be socialized totally and soon! Consistent Marxists insist upon this. Slow, gradual, partial socialization would mean making a concession to capitalism. Yet, new economic systems do not become realities merely by decree. Arbitrary experimentation with the economy comes at a high price, and it brings with it heavy casualties, misery, and want. Yet, the advocates of communistic socialization are bent on promoting such experimentation. Why?

They lack any precedent. During the course of the centuries there have been struggles between the haves and the have-nots. However, such struggles never resulted in the socialization of the means of production. That did not even occur in classical antiquity with its highly developed form of capitalism!

A detailed plan for communistic socialization is lacking. Marx merely provided a nebulous view of the socialistic future. The fictitious Utopia of Bebel, however, has never been taken seriously by any of the leading lights of socialism. The same holds true for the rest of socialist literature. Nowhere is there a real plan detailing the outlines for a socialistic social order. The proponents of socialism were afraid to

embarrass themselves by detailing such a plan, so that they preferred to leave it all to "evolution."

Thus, also all of the principles which outline socialization are also lacking. Marxian historical-evolutionary socialism, based on Hegelian philosophy, as we have indicated in our first volume,³² did not acknowledge the principles on the basis of which rationalist French philosophy of the 18th century was still battling against feudal society. It did not operate on the basis of considerations of justice, like some kind of ethical socialism. It merely sought to point out the fact that there were contradictions in capitalist society, and to discover distinct evolutionary forces. It tried to show how the traditional political, legal, social, and ideational forms were no longer compatible with the new economic structure of society which determined everything else; and it indicated how evolution was leading to new structures. The older "critical utopian socialism" which Marx rejected even though he derived the utopian communistic idea from it,³³ looked upon the recognition of a future social order as the outcome of the intellectual process. For Marx it was the result of observation of the process of the historical development of the world³⁴ and of the dissolution of capitalistic society that was occurring before our eyes. The Utopians designed a complete and just social order in their heads. Marx expected to derive the elements of the emerging social order from observation of the dialectical process that was operating according to objective necessity in bourgeois society, where indicators of the new forms, e.g., concentration, were already evident. That is what is meant when we hear reference made to economic structures which are "ripe" for socialization. *However, who makes the decision as to what structures are ripe for socialization?* Are not various viewpoints possible? And do we not note a carefully concealed attempt to beg the question in all of this talk about inevitable developments - the underlying weakness of the whole socialist idea? It postulates for our acceptance what is, to say the least, questionable, i.e., that socialization in the communistic sense is to the great advantage of the people; and it does so tacitly without any attempt at either an *a priori* or an *a posteriori* proof.

As it turns out there is no great difference between the naive "socialism" of the masses and the enlightened socialism of the revisionists. The socialist society which is to come is undoubtedly an El Dorado, whether one is able to bring it about or simply to live in expectation that it will come sometime in the dim and distant future;

and we are expected to trust in its promises with blind faith. In this respect our ancestors had a better grip on reality and they displayed their greater wisdom in sayings like: Communal goods are damned goods [*Gesamt Gut, verdammt Gut*]; and: the community donkey has a huge burden to carry; and: the community donkey always lets his tail drag. Does this offer us some indication of what the role of the "comrades" is destined to be?

Capitalism has degraded the worker to the level of a commodity. And what will communism do with him? Marx has certainly been most reassuring. He has promised that after capitalism has resulted in the destruction of the middle class, and after the miniscule ownership of the many has given way to the vast accumulation in the hands of the few, then the bell will have tolled for capitalistic private ownership. The expropriators will be expropriated. The alienation of the workers from the tools of production will come to an end. Social property will take the place of private property.³⁵ Then everyone will have access to property and, in the case of Germany with its 70 million population, each will exercise sovereignty over one seventy- millionth of the total property. That will be enough. Who could ask for more than to have control over 1/70,000,000 of such a vast social property? So says the theory! Actually, a majority makes decrees in the proletarian state. The others have nothing to say. All that is left to you is the exalted awareness of your sovereignty and the feeling of indignation at having to deliver the goods to a single lord and master - society, all gnashing of teeth to the contrary notwithstanding. Nowhere is the separation of the worker and the material means of production more radical, more total, more hopeless, and more brutal than in a proletarian society patterned according to the blueprint of collectivist socialism.

The communist intoxication would soon bring about its own painful dissolution once the inevitable disillusionment will have dawned on the world of the working class, and when the workers themselves will have recognized and experienced the painful awareness that the promises which were made - in particular, their hopes for high wages for a minimum workday - cannot be realized by communist socialization.

It is because we reject communistic socialism as an impractical fantasy that we are proposing the solidaristic system of human work as a *new true-to-life economic system*. We recognize that a return to economic freedom as envisioned by economic liberalism is no longer possible. We reject the anarchic kind of production and distribution

dictated by the vested interests of capital. And we oppose the monopolistic exploitation of people. Capitalism is finished, if by capitalism we understand the kind of domination of the economy on behalf of the selfish moneyed interests who own capital, as we have discussed here. We do not see in the many evils of the capitalist free enterprise era some kind of inevitable "evolutionary laws," but rather a false conception, actually manifestations of sickness, which are in the final analysis traceable to a distorted world of ideas. We are not proposing the overthrow of the entire system, but the erection of a new and better economic structure which retains what is worthwhile and reforms what is not. In the process, however, we are guided by ideas and principles which go beyond the realities we see before us at the present time.

It has been pointed out by some that even in the past there were not a few capitalists who were in fact already solidarists at heart! Far be it from us to deny that. Such persons had emancipated themselves from individualistic capitalism and lined up outside the pale of capitalism. All that this proves is that even at the height of the capitalistic free enterprise era it was possible for certain, even many, individuals as well as for entire groups to regard work as an obligation, and to keep self-interest within legitimate bounds. That did not basically alter the individualistic era which prevailed in most nations since the time of Adam Smith. Much work was done during the free enterprise era, and there was considerable accomplishment for the general welfare. Yet it wasn't a sense of social responsibility which evoked the often restless and frenzied activity. More often, it was induced by an exaggerated and not always justified self-interest. The experiences of wartime and afterwards demonstrated all too painfully that the solidaristic spirit did not command very much respect.

The pressure of circumstances after the War leads us to realize that we are tempted to judge pre-War conditions too favorably. If things had been all that good, we would have a hard time explaining the growing strength of the Social Democratic movement, and for that matter all of the reformist activities - some of them praiseworthy - before the War. It was the unhappy conditions stemming from individual capitalism which undoubtedly gave rise to such reform endeavors. They already hinted at the abandonment and rejection of free enterprise ideology and practice, and they showed some marked similarity to the principles underlying the solidaristic system which we are discussing here. It

would be unfortunate if we were now to turn our backs on these basic principles, and to waste our time trying to bolster up and preserve capitalism which is rotten to the core, by making some repairs to its structure, quite aside from the fact that such a venture would be doomed from the start.

42. Basic Assumptions of the Economic Structure of the Future. In his *General Sociology*,³⁶ the American Albion W. Small finds fault with Herbert Spencer for his one-sided emphasis on a mechanical representation of the social structure. The stress on organization in the sociological works of A. Schäffle is regarded as an improvement over Spencer.³⁷ Ultimately, however, only the combination of the ideas of Schäffle with Ratzenhofer's harmonization of individuals, hitherto in conflict, into an organized whole is able to fully satisfy the American sociologist.

We have been able to document a similar transition in the economic science from an individualistic to a social mode of thinking. The command economy of the mercantilist police-state led into a system of natural freedom which, compared to the former, seem like the right answer. It soon became painfully apparent that the interplay of individual interests and the endeavors of persons allegedly regulated by natural laws were not bringing about the blissful state that people were looking for.³⁸ The greatest good of the greatest number, as understood in the individualistic and hedonistic philosophy of Bentham, turned out to be a chimera. It seems that an ever growing number was left in distress. Only after the individual person has submerged himself in the social whole - having recognized and organized his real strength as a part of a mass - only then will human emancipation occur, according to the prophets of socialism.³⁹ Nevertheless, it would be easier for a man to walk forever on his head than to become merely a part of a mass without remaining also an individual. The first would constitute merely a dubious physical experiment. The second runs into an insurmountable metaphysical barrier. As opposed to socialism there are some who feel that it would be possible to adequately safeguard the interests of all by some kind of free self-organization which is independent of the state. Others have tried to stress more social interrelationship - the sense of community - sometimes calling for greater infusion of ethical sensitivity in the economy on all sides; or else they propose for our salvation a more or less comprehensive socialization of the various

economic sectors, either under the aegis of the state or of communities of a lower order. All of these various tendencies and proposals demonstrate the growing scientific awareness that the individualistic principle is inadequate, and that we must move in a more communitarian direction. In the process, people keep coming up with superficial and artificial collectivistic remedies for taking care of our social needs without, however, letting go completely of individual self-sufficiency - socialism excepted.

In any case, our solidaristic system rests firmly on the idea of community; but it endeavors to develop this idea on the broadest possible base. Inasmuch as it accepts solidarity as a fact and as an obligation, and inasmuch as it involves mutual complementarity and interdependence and the sense of social responsibility, the solidaristic system embraces in one comprehensive system all of the initiatives which one finds in the various newer social and economic theories. It is not satisfied merely with inserting a few social overtones into individual initiatives, or with some exclusive cooperative solidarism, (Charles Gide and others), or with certain kinds of mutualistic ideas, or with some sort of "socialitarian system" as Eugen Dühring suggested⁴⁰ Nor is it proposing that the whole of society take over certain kinds of functions, or an extension of communal economic activities as Schäffle and Wagner suggested. It is also not interested in simply fostering a more widespread personal and organized charity along with a greater sense of community, and the application of social welfare institutions. All such ideas, to the extent that they are sound, basically acceptable, and well-founded, become a part of the solidaristic system. They become a part of the system which includes the various structures that form a unit and a representation of various interests, and along with the balancing of individual, class, and occupational group interests according to the requirements of social justice and the common good. As we have indicated, it assures that private enterprise and the freedom of the individual will enjoy full legal protection and be preserved as essential components of the private as well as public welfare, wherever these do not clash with higher responsibilities, specifically in accordance with *the principle of conflict of rights* (*Prinzip der Rechtskollision*), so that they must yield to the rights of the whole of society.

The solidaristic system is not based either on the individual or on society, but on both simultaneously. It is rooted in the notion that both

get what they have coming to them and that *man functions in the context of society*.⁴¹

First : man does not come into this world as an atom in space, or as an instant in time. He comes as a member of the universal human society which we call humanity. He is a part of it before his birth. He lives in the midst of humanity where he strives toward the great goals which God has set for man, both for time and for eternity; and he continues to be a part of that human family even after his death, by the heritage of his accomplishments.⁴² It is this primary fundamental solidarity which, as we have seen, provides the moral framework of all human and social relations.⁴³ It exalts the humble, and humiliates the proud; and it establishes the basic equality and fraternity among men as it expresses the identity of our natural and supernatural destiny. It does not reject all differences and every kind of authority and subordination. That would contradict human nature which, notwithstanding man's metaphysical equality, expresses itself in different concrete forms in his actual physical individuality. It would contradict the nature of human organizations which, by virtue of their organic structure, includes both a head and other members. It would be incompatible with the occupational and technical division of labor in society and in the economy, as well as with the orderly cooperation between those who give directions and those who carry them out in an enterprise, in other words, with the kind of subordination of all to the overall management, as is required in every enterprise. But that is something quite different from the dominance of man over material goods and tools of production. The differences in position and in functions, authority over and subordination to, do not abolish the unity of nature and of the purposes in life. On the foundation provided by universal human solidarity there arise the diversity of ranks, classes, stations-in-life, all of which do nothing to destroy equality in human rights. King and subject, captain-of-industry and workingmen, rich and poor - all are human beings bound together intrinsically by moral bonds of justice and charity. What the American labor leader, John Mitchell has said about the advancement of the modern worker sounds fine and is indeed valid:⁴⁴

The decent wage is a man's right, not some generous gift. In this way a whole class of people is lifted up from its knees to a self-respecting position in keeping with its proper dignity. That is a potent achievement which signifies a

transformation from a condition of economic autocracy to economic democracy.

Certainly it is true that a man ought not to receive as a gift what is rightfully his. Nevertheless, the point of view merely of justice is icy. It is not enough to make people happy and contented. Even the heartless egotist does not feel completely at ease in the context of law and of the actionable contract alone. Even where there is a purely legalistic person, a man without a heart at the head of an enterprise, the working relationship must safeguard the human character in the dealings between management and labor. He who has the true interests of his workers at heart will see to it that, in addition to the purely legalistic aspects of labor relations, there will also be injected the finer human, free, moral and moralizing impulses of the human personality, like goodness, love, and gratitude, whose cultivation Kaiser Wilhelm II once encouraged so eloquently in an appeal to the new captain of industry in an Essen factory. Love is not the same as paternalism. Whatever is good and human and personal and in conformity with the Christian ethic in the patriarchal industrial system should be salvaged and carried over into the new structure of the factory system. Otherwise we shall never under any circumstances have a contented working class.

Those moral bonds of true humanity extend far beyond the borders of any one state, so as to embrace all of humanity. The unity among all nations, the membership of all people in one great family,⁴⁵ and also the world economy is, in the real sense, an ideal which has powerful practical importance. After the horrible War everything seemed to point toward reconciliation, greater accommodation, economic complementarity, even to the establishment of a real brotherhood in the family of nations. However, this one-world idea remains only a unity of the race or of the species. It is not supposed to put an end to the unity of the national state, but to include it; nor is it supposed to substitute the world economy for the national economy. The former is intended to assist all nations by reciprocal trade and commerce, and not to work to the detriment of any of them. It is supposed to be conducive to harmony and progress, not to the surrender of the specific productive energies of one's own national economy or to making the national economy a captive of the web of international capital. It should, among other things, lead to the solution of the great problems facing the human race - the spread of Christian culture and civilization to those

nations that are still strangers to them; and it must be careful to respect the accomplishments of other nations. "My country right or wrong" is the slogan of chauvinism. Justice and charity toward other nations - that is the mandate of true human solidarity.

Second: the capitalist era has served to loosen the sacred bond holding together that most intimate moral community, the family, which is the original cell-unit of human society. Moreover, communistic socialism (as advocated by certain of its exponents) wants to dissolve that bond completely. The social system of human work, on the other hand, requires the restoration of the family.⁴⁶ It calls for the safeguarding of the solidarity and unity of the family so that parents can be to their children and children can be to their parents what the natural order of things calls for. The reform of the family is not primarily the responsibility of the economic system; but the way in which an economy is organized must not at any time stand in its way or contribute to the destruction of the family. In the very nation where "natural freedom" became the big thing, the engineer and economist LePlay urged the state to intervene and regulate child and female labor. He called for a new social policy which would everywhere restore the woman, the mother, and the children to the bosom of the family; and he urged an end to Sunday labor, and also shorter hours of work so that the father would again become a part of the family. He urged that a family wage be paid to the father, which would enable him to act as and remain its sole support. It is, of course, easier for the father to take his rightful place in the family where he has that measure of economic independence which was the priceless advantage enjoyed by the middle class in earlier times and the upper classes before the age of the factory worker dawned. The maintenance and strengthening of the middle class is, therefore, not a mere economic issue. It goes beyond that and is a problem of great moral and social significance.

Third: The social system of human work holds fast to the state and to the political order based on the state. The social system of work, however, calls for the true state which serves all of the people - whether it is a monarchy or a republic - not a state which serves the one-sided interests of some ruling class, be it the bourgeoisie or the proletariat. We are talking about a state which is simultaneously a juridical state and a welfare state, where the realization of justice and of the general welfare in the best interests of the entire nation represents its primary responsibility. We are talking about a state which is able to avoid the

worst pitfalls of bureaucratic privilege and regimentation of the entire economy, and which acts only in a subsidiary capacity wherever private and occupational group initiative are not enough to safeguard the interests of all, whose administration understands the art of dealing with the problems of individuals as individuals, and where the laws regulating business remain in harmony with the goals of the entire economy while still remaining flexible enough to be adapted to changing circumstances. We expect of the state a legally sound structure of ownership, where private property and the inheritance right will not become obstacles to the orderly provision of the means of livelihood for the nation as a whole. It ought to afford the widest opportunity for advancement in class and occupation, and thus provide the greatest possible development of excellence in both the general and vocational education of youth. We are asking for an economic order where the social responsibility which labor bears to the whole of society remains always in sharp focus whatever the goals are which an individual enterprise may set for itself. It may be reckoned as a serious ethical flaw in the capitalistic spirit, having grave consequences for the economy, that under its dominion the individual could often serve his own interests exclusively with total egotistical abandon (according to Max Stirner).⁴⁷ That is why the principle of solidarity calls for the restoration of a balanced relationship between individuals, profit-seeking enterprise, and the entire economic community, not by ruling out the legitimate pursuit of gain - which is after all the greatest of all incentives for work and economic progress - but by a proper subordination of the private endeavors of each enterprise to the purposes of the entire community. Therefore, it assures the kind of fulfillment of the needs of the entire politically unified nation, which will guarantee to one and all a decent existence and standard of well-being. The "crimson veins of happy, human beings," (Ruskin) not the sack filled with gold coins which drags a few under the waves amid the curses of the others - that is what the ideal of genuine welfare is all about.

Fourth: Of the utmost importance, however, is the need to do away with the individualistic concept of private property, and the refinement of the institution of private property by the introduction of the social perspective.

Collectivistic socialism sees in the institution of private property itself and in the very fact that the national economy is organized on the basis of private enterprise - not in the absolute, irresponsible concept of

property, in other words, in the capitalistic corruption of private ownership - the cause of all social misery and of the deep-seated division in society. Therefore, it seeks to improve conditions by abolishing the property right - at least so far as the means of production are concerned - and by replacing private enterprise with communistic structures. "By rejecting private ownership which has been a foundation-stone of all human society that was safeguarded by private law throughout history, socialist systems step out of the solid mainstream of science and lapse into utopianism."⁴⁸ Man devised the private property right not out of caprice or because of the exigencies of the moment, but in accordance with his natural rights. He did so because his rational nature thereby found the kind of order which was most in harmony with his human nature and with the needs of social order and cultural development. Wherever higher levels of culture have been attained, one finds private ownership of the means of production; and there is no reason to expect that it will be any different at some future time. True, the institution of private property is in certain respects a historical category, subject to changes through the course of history in its extent and in the forms which it has taken on. The extent of community or state socialized activity in particular can widen or diminish according to the particular needs of time or place. However, such developments are not simply the products of the lawmakers who happen to be in power at the time. A whole range of other factors helps to determine where and why such socialization occurs. These would include the historical structures with their particular capacities for full development and the further development of ownership and of the private property structure within the context of the specific legal framework.

No matter what positive shapes the order of private enterprise of private law assume, the social system of human work does not recognize an absolute property right without any social responsibility.⁴⁹

1) Property represents power that is based on law, and it is therefore limited in the moral and legal order. Property is not simply a projection of the ego into the material world. It brings with it moral and social obligations. The brutal domination by which some industrialists have exercised the property right does not go along with the right; rather, is it an abuse of the right. 2) Property is not the highest right which man exercises in his relationship to the material world. In extreme need, the natural right of self-preservation asserts itself as prior to the derivative

right of the owner to possess material things. Therefore, by what right does an owner take advantage of his favored position to undermine the physical, mental, moral well-being of his fellow man, or to destroy it outright, or to generate poverty? 3) Property is not an end in itself - domination for the sake of domination - or for the exclusive enjoyment of the owning class. It is a means of providing for the people who live in society. It is not meant to satisfy the unlimited greed of an egotistical capitalism, or to lead to its enrichment beyond all rhyme or reason. Nor may it stand in the way of fulfilling the needs of the nation. Instead, it is to be subordinated to serving the needs of all of the people. It will in fact serve that purpose in a well-ordered society which has an equitable distribution of the national income and a healthy property structure. It is from this, that we may at the same time derive the highest principles for resolving the question of first settlement, expropriation, and wholesome land reform.

It is true that the state and the economy do have need of rich people, but in modest numbers and also without excessive wealth.⁵⁰ Yet, multimillionaires can absorb an undue portion of the riches of a nation. And still there are not enough of them to take care of all of the social, political, and cultural needs called for by the wealth of the nation. The philanthropic use of accumulated millions, as Carnegie proposed, is well and good. How much untold misery might a nation have been spared, however, if such colossal fortunes had not been amassed in the first place! What guarantee is there that excessive fortunes will be used philanthropically by a second or a third generation? It would be wiser to oppose the accumulation of such excessive wealth in the first place than to wait for help from the disintegration and moral decomposition of centers of corrupt riches.

The goods of this earth are destined to serve the needs of all of mankind. Private ownership does not alter that destiny. Those who own are entitled to view themselves only as caretakers of a portion of the world's goods which must provide for all of their fellow men. That is the all-important Christian teaching about the use of private property. "Temporal goods which God gave to man are his so far as ownership is concerned; but so far as their use is concerned, they are not his alone, but intended for others who can be supported by what a man possesses in superabundance." That is what Thomas Aquinas taught,⁵¹ and that is what Leo XIII teaches in the Encyclical *Rerum Novarum*:

A man ought to regard external things not as belonging to himself, but as a common good which he owns along with others inasmuch as he ought to be prepared to share with those who are in need. What you enjoy in superabundance, give to the poor" (Luke 11:41). In the case of extreme need, that is required by justice; otherwise it is an obligation in charity.

However, it is not merely the need of some particular fellow-man which sets a limit on the free use of one's private property. There is also a kind of "social mortgage on private property" (Briefs), and it requires that the use of property must be tailored to the requirements of the common good of the political community. Accordingly, the state has a right and a duty to encourage and even to force such accommodation. That is why the free enterprise concept of an absolute private property right is out of order. Furthermore, that is what the state's right to tax a man's personal property for the state's use is all about.⁵² From that arise also many important considerations having to do with the regulation of the economic process.

In a communistic community, let us say, for example, in a familial community, a portion of the annual product is turned over by the head of the community to the various members so that they may have it for their consumption. Other goods like land, tools, seed, etc., remain in the possession of the head of the family or the family as a whole, however one wishes to view it. That then is not ownership for consumption, but for use. The means of production and whatever is to be kept in the form of supplies to assure future consumption is administered by the head of the family on behalf of all of its members.⁵³ In a society with a market economy based on private ownership of the means of production, the owner of such goods, after products are sold, gets to recover out-of-pocket costs along with a return for his own contribution of effort and materials. The portion of his return which he uses to support himself as befits his station in life, that represents his consumable property which he may dispose of freely. Furthermore, even so far as the means of production are concerned, he remains in a true sense the legal owner, and in the liberalistic view he is even the absolute owner who can do with such property as he pleases. Nevertheless, even such property which is not intended for individual consumption can be regarded as the possession of a caretaker, because

and to the extent that national economic concerns place limits on how private property may be used. A landowner is not free to leave his land unused if its cultivation is needed to meet the nation's needs. The same holds for other tools of production which are required to maintain and to carry on the production process. There are obligations confronting the owners of property as well as the state, which simply rule out such anarchy in the production sector.

Fifth: consistent individualism calls for *unlimited free enterprise*. Christian solidarism rejects absolute freedom also in the area of economic activity, just as it opposes the planned, command-economy in the communist style. It recognizes that freedom is an invigorating and quickening force for stimulating productive energies. Therefore *it encourages and safeguards all freedom which is compatible with the general welfare, and which is capable of assisting greatly in fulfilling the economic purpose*. But Christian solidarism recognizes also that *unlimited* freedom can do grave harm to the economic purpose, in other words, to providing for the needs of all of the people. Freedom, to be sure, but not the *right of an individual to do what he pleases*. The solidaristic system sees in the purpose of the national economy a principle of regulation for the use of freedom, also with regard to the why and wherefore of production, and also for price and income formation - a principle of right and of justice which is ultimately decisive as regards what measure of individual freedom is acceptable.

The extent of freedom cannot be the same in all situations and circumstances. A proper measure of freedom is rather elastic. It is not the same in a city under siege or in a nation under blockade, in a difficult transition period after a time of wartime stress, and in normal peacetime conditions. But under no circumstances is it *without any limits*. It would be highly tendentious and a real logical boner if, because of the burdensome command-economy that we have been groaning under, we would now simply advocate a free economy as the best desirable objective. We may be justified in concluding that a particular controlled economy did not function very well, but not in advocating in place of it that all restraints must now be removed and that liberalistic free enterprise is, after all, the best solution.⁵⁴

Just as it is of the utmost importance for us to bring to bear the proper regulating *principle* (the national economic purpose), that is also true of the *factors* which are to do the regulating. In wartime emergencies, prompt and forceful methods of state intervention are far

more justifiable than at other times. As we see it, occupational organizations are of the utmost importance in providing necessary regulation, first of all, because they are in the best position to grasp and to represent the interests of each occupation or industry, but at the same time because it is they who have to maintain the proper balance between each occupational group and the national economic purpose. In determining prices, the voice of the consumer is also to be taken into account. The state itself, however, is the final and ultimate regulating factor; and it comes into play only to the extent that it must supplement the actions of occupational groups in safeguarding the public welfare.

Without great difficulty, it is possible for us to come to grips now with a proper grasp of two concepts which have been much discussed of late: socialization and communal economic organization.

43. Socialization and Communal Economic Organization. We too advocate socialization and the communal organization of the economy, but in the *solidaristic*, not in the *communistic* sense. The economy will indeed become a working community, a communal enterprise, *through socialization*, i.e., through a *community spirit* and a *sense of communal responsibility* which we discussed earlier, which inspires people to work together toward a common goal. That common goal is *the welfare of the entire nation* - meeting its needs in a manner that will establish and assure its welfare. The individual will not be deprived of his own freedom to function and to move about, since these are of the utmost importance for assuring economic progress; nor will he be deprived of his own property and stripped of his own legitimate aspirations and autonomy. But these cannot be exercised selfishly for the individual's own advantage at the expense of the community. The individual's private endeavor and enterprise must serve the *community* and harmonize and remain subordinate to it. That means private enterprise must be socialized without eliminating it altogether, and a communal type of economy must be introduced without however bringing on the slavery which goes with the communistic economic apparatus.⁵⁵

Such "*socialization*," meaning *a structuring of property and of the conditions in which people acquire wealth* in accordance with social considerations, is not enough for collectivist socialism. It will be satisfied only with a total "*expropriation*" (*Vergesellschaftung*) of the

means of production, land and the soil included. It calls for a *communistic communal economy*.

According to Marxian doctrine, capitalism in its final stages is already pregnant with communism. The dictatorship of the proletariat only plays the role of midwife, by which the red-haired child is born into the world. That is the gospel according to the materialistic theory of history and Marx's teachings regarding the laws of evolution at work in the capitalistic era.⁵⁶ It is a pity that this new world order will itself soon have to fall victim to the "negation of the negation." Or is the Hegelian law of evolution, according to which Marx operated, to lose its validity as soon as socialism appears? Whatever the case may be, there are those even among present-day socialists who have lost their faith in that particular law. Bernstein said:⁵⁷ "All historical materialism notwithstanding, it is people who make history; and these people have heads, and the disposition of their heads is not so mechanical a thing so as to allow them to be governed simply by the economic state of affairs...." These heads may indeed feel inclined to test for themselves whether a *collectivist* economic structure, which proposes that it will meet people's economic needs directly and universally through the state, can withstand the scrutiny of plain human *common sense*.

What reason does tell us is that higher social bodies are only established to perform tasks which individuals and lower bodies cannot accomplish or do adequately for themselves - regardless whether these higher communities are called "the state" or "society," or whatever. The *purpose of the state*, as Cicero already noted in *De Re Publica* must relate back to the purpose for which the state was created. The state was devised to assure its citizens those goods which individuals, families, and other narrower societies could not deliver without further assistance. The immediate achievement of an individual's welfare by economic activity is not the business of the state but of the private individual himself. Cathrein said,⁵⁸

...The state does not have as its purpose to see to it directly that each individual is made happy. Every man is the architect of his own well-being. It is supposed to bring about a social condition which makes it possible for each of its members by his own free action, to produce what is necessary for its temporal welfare, to the extent that this is possible here below under given circumstances.

Where the state is directly involved in providing for the private welfare of individuals or groups, that is not the state acting according to its main purpose. It is then merely providing a means for fulfilling its real purpose, as for example, when it pays a salary to public officials or provides for its military forces. The state may also have to step in and provide for those who lack the power to take care of their own needs, or for whom any more immediate means of support are either lacking or inadequate.

We have to conclude, therefore: the purpose of political society consists in providing, safeguarding, and fulfilling that aggregate of social conditions and institutions along with their appropriate actions, by which the possibility is provided, assured, and enhanced, for all members of the state to freely and independently work out their own true temporal well-being according to their own particular capacities, situations and needs, and also to keep what they have acquired honorably. That possibility represents the common good of all members, and it constitutes the social purpose of the state. We call that, as distinct from private welfare: public *welfare*, the *salus* or the *prosperitas publica*.⁵⁹

Long before there was such a thing as the state, man already enjoyed the right to acquire property in the interest of advancing his own welfare. He retains this right in the state, and he may acquire property, own it, and dispose of it, so long as he avoids coming into conflict with the general welfare. Production and distribution of consumer goods in every-day commerce, along with pricing and income determination have as their immediate purpose the private welfare of the economizing citizenry. In other words, *the entire want-satisfying process is of its nature the task of individuals, not of the state* in accordance with the general principle: all that individuals, families, and other lower social organs are able to accomplish of and by themselves lies *beyond the purpose of the state*.⁶⁰

This is not to say that the state has no authority at all in the area where private citizens operate, because in its role as the guardian of the general welfare it is required that it maintain an interest. By virtue of its legal structure, especially inasmuch as the state has to maintain a proper framework wherein the pursuit of gain and the acquisition of property take place, the state must, as we have seen, protect the general welfare against inordinate private self-seeking. It must also step in and promote and assist wherever private capacities fall short of being able to

accomplish what the common good requires. The state must be on the alert to see to it that adequate provision is made for the universal wants which are recurrent needs for all people (food, clothing, shelter). In emergency situations the state can even take over and regulate the provision of necessities for the nation, as has been done in wartime. That is so even though there are few who were impressed with how the state, with all of its wartime regulations, handled the economic operations. Nevertheless, the state is also entitled to become involved to a limited degree, for financial and other reasons, in economic tasks along with private citizens. For example, it can establish model farms or industries in competition with private citizens in order to rectify improper pricing practices; and the state is within its rights if it takes care of certain collective wants of which the political community has a real need.

Is it justified, however, in taking over the the entire economy in the communist style, and socializing it? The state ought to complement the private sector with the combined resources of the whole community, but it ought not to push it out entirely from the sphere which naturally belongs to the private sector. The want-satisfying process in the national economy is, as we have seen, the task of private initiative, not of the state. To take over, confiscate, or socialize an entire economic sector cannot be justified except under the most limited and *exceptional conditions*. Such conditions must be considered most carefully on a case-by-case basis. Ultimately, the only justification for such socialization is *extreme necessity* dictated by the *general welfare* which we have designated as the ultimate reason for the state's existence. Socialization must have become, without any shadow of a doubt, the necessary means for achieving the purpose of the state. What is more, it may only be resorted to after it is clear that all other means will not achieve that purpose. In itself, the socialization of entire economic sectors remains anomalous. We have to insist on that in the face of the socialist fiction about an inevitable natural evolution toward a communist order of society - that preposterous assumption which cannot withstand any unbiased scrutiny of the actual facts - which, if it becomes reality, will only too quickly bring about great misery for the entire nation and show what a false illusion it really is.

Yet, the state takeover of an economic sector can prove necessary for two reasons: when private enterprise in some particular area cannot be reconciled with proper management of the nation's needs; and also when

the financial needs of the state cannot be met short of a state takeover. We are talking about socialization for economic⁶¹ or fiscal reasons - economic or fiscal state monopolies.

It holds true for the state as well as for individuals: *Prius est vivere, et dein philosophari*: (First one must have a livelihood, then one can philosophize). The state must be able to finance itself before it can accomplish its purpose. Now there are no definite indications as to what areas the state ought to monopolize for financial purposes; and it is possible that there are also economic reasons for socializing some sectors. This calls for a *careful selection process* to assure that the sector which is taken over is productive financially, while at the same time all other economic factors are also taken into account. Economic considerations, after all, come ahead of questions of financial return. Not all sectors of the economy lend themselves to being financial state monopolies.

In setting up economic or financial state monopolies, one also has to consider carefully the question, what is *technically and economically possible and efficient*. The form of organization is important as is also, for example, the consideration whether it can be a pure state operation or a mixture of private enterprise with state participation. Also, in questions of socialization or state takeovers of enterprise, one must consider the alleged material yield in the light of its contribution to the general well-being of the economy, whether, for example, what appears as great economic progress really destroys the livelihood of a large number of hitherto independent persons. All of this means that each case has to be considered carefully by itself, and the pros and cons need to be weighed.

We are not rejecting out of hand *all kinds of socialization* in the sense of nationalization or public enterprise. What we are doing is providing some kind of *principle* to serve as a *guide* and a *limit* for determining when and where socialization ought to occur. This principle is embodied in the *purpose* for which higher social bodies come into existence, that is to say, in whether making property public serves to enhance or to detract from the general public welfare, and whether by socializing property, meeting the needs of the nation becomes easier or harder.

Nowadays it is considered economically more efficient to have the state (or in certain cases, the local community) to take over the means of transportation and communication as well as other critical utilities,

like water and electricity, where it is felt that only public ownership will assure the best possible service to the community.

The control of *goods which are naturally scarce*, like the sources of energy and minerals, which are essential for certain industries or even for all of production, seems to indicate such overriding economic importance that it should not be left for private capital to exploit it. The *capitalistic monopolization of credit* also provokes great anxiety, since it places an inordinate amount of control over the economy in the hands of those who are concerned mainly with advancing their own financial interests.⁶² Gustav Ruhland⁶³ proposed "corporate credit" instead of private credit which is the soul of the prevalent capitalism and the main font of usurious transactions. Others called for full state takeover of an already concentrated banking system as the only means to overcome the evil. We will discuss the efficient reorganization of the banking system in another context.

In general, we are reluctant to urge out-and-out state takeovers of economic sectors. Because of our concept of what the state's purpose is, we would prefer *other forms* of socialization, and reserve state operation of enterprise as the last resort. For mail service, railroads, etc., where a bureaucratic mode of operation is less harmful and more feasible, and where there is a great premium on punctuality and safety, and proper order, there state operation may well be the best solution. But this is not true elsewhere.

What about the *land and the soil itself*?⁶⁴ Does it present the danger of monopoly? The land is a gift of nature. It cannot experience an increase in its quantity like the so-called "freely reproducible" goods. Therefore land has an importance which becomes greater as the population increases. He who owns land is the only one who can sell it.

It is certainly possible to speak of land monopoly in areas where that is prevalent, where it is only possible to gain the use of land by rental agreement, and where even the large landowners often seek to enlarge their holdings by the expropriation of farmers so as thereby to eliminate the remaining independent land owners.

There is no doubt but that urban and suburban property is monopolistic in character. The same holds true for industrial property. This does not mean that communistic socialization is the answer. What is needed all the more is a vigorous land reform program, a land policy which will prevent the growth of cities and the need for housing to be

left at the mercy of private speculators and those whose only aim is their own enrichment. Communities and cooperatives involving common use have to be afforded the appropriate right of eminent domain, etc.

The large number of small and middle-sized farm owners makes it impossible to call them monopolists. Their possession is also too small to enable any one individual to exert monopolistic leverage on the pricing of land. It represents a total ignorance of the structure of agriculture for anyone to propose seriously that farmland ought to be taken over and administered by the state. Farming calls essentially for individual care wherever intensive application is required, whether in crop cultivation or in the care of livestock. A mixture of state ownership and private enterprise is only still possible in a limited area, as, for example, where large public domains are leased out to renters for cultivation. The introduction of universal hereditary tenure along with state ownership would be regarded by German farmers as robbery and as *capitis deminutio*. It would result in severe damage to agricultural productivity. The Rhenish organ published for Christian farmers asserts correctly: ⁶⁵

In agricultural policy, the state should limit its activity to an effective land policy and maintain some control over farm land ownership conditions in the interests of the community. These endeavors would involve mainly what has to do with what we have called settlement policy and internal colonization. That is a kind of socialization which can be regarded as being in the interests of all. The goal of a sound agricultural policy has to be designed to strengthen our peasantry and *to increase the number of farms, and to return as many people and workers as possible to the land*. The development of large metropolitan areas ought to be cut back and the country ought to be repopulated once again. More people out into the country, should be our motto today.

To implement such a policy, that organ of Christian farmers in the Rhineland proposed the following:

1) *Freeing up the possibility of purchasing land*. Free turnover of land would be the most welcome development. In a few sectors of Germany the larger farmers have already gotten together to work out programs for making portions of their own land available for sale. Even

some associations of estate owners were formed. (Such transfer of land was called for by the provision that in trading transactions land would be offered instead of cash payment.)

2) *The cultivation of wasteland and uncultivated lands.* This involves costs which constitute a formidable obstacle. Such costs have always been a problem, but now the costs of getting such land in cultivatable condition - what with inflated wages and a materials prices - have become exorbitant.

3) *Suitable state domains* ought to be made available.

4) The state should enjoy *pre-emptive rights* whenever land changes hands.

5) *Expropriation.* But this method should only be resorted to after all other means are exhausted, where necessary to avoid inequity, and where the public interest is clearly at stake.

Those represent the kinds of "socialization" which are acceptable also in the agricultural sector.

Until the last quarter of the 19th century, industry was preoccupied with furthering its private interests by improved technology and by better internal organization. Later it set about trying to cope with the problems which arose from competition among giant industries, by other means.⁶⁶ They began to amalgamate, to intergrade separate stages of the production process into one firm (integration, mixed and combined operations, vertical combination), and to establish branches (affiliating newly formed operations with the older enterprises), also by pooling (cooperation among several enterprises with a division of profit according to an agreed upon formula), by common ownership and participation (acquiring the shares of other enterprises with a view to eventually controlling them), and by forming cartels and trusts (combining a larger number of firms into one huge enterprise).

If we wish to talk about socializing industry today, it would seem that this could only be considered seriously in cases where the monopoly of private capital makes the proper satisfaction of society's wants difficult, and where there is really no other remedy. When state franchising and control are possible, these are still preferable to outright socialization. It would be far better from the standpoint of the principles which we are proposing here, if industry would set up autonomous administrative bodies from within itself, in consultation with business and consumers, which could lead into a sound non-communistic kind of community. Such autonomous bodies were already established by the

Reich Industrial Labor Community. Thus, the steel industry operations in Germany established the *Steel League*. The chemical industry also has at its disposal a *Reich Working Community* as does the German iron and metal industry, etc.

There can be no talk of nationalizing handicraft on the pretext of safeguarding small-scale types of enterprise. Nevertheless there are important means of bolstering the handicrafts and making them better able to serve the needs of society, by means of the so-called work- or supplier-communities, also called *Work Unification* (*Werkvereinigung*). Lübbering⁶⁷ said,

In essence, that is a combination of the resources of handicrafts to deal with problems with which small and mid-sized operations are of their nature not in a position to cope. Their value was apparent in the way such organizations were enabled to deal with the huge defense contracts which were entrusted to small and mid-sized shops during the War. Their development had already proven itself before the War in the cabinet-makers' industry of the Rhine-Westphalian area. The only reason the main body of the skilled traders did not organize itself long-before into sound work-communities were certain problems confronting it. Some of these were extrinsic to them as, for example, the stifling restraints imposed by the narrow horizons of the bureaucracy which existed before the War in some sectors. More important, however, was the prevailing ethic in business and in its organization when the idea of the "free play of market forces was rampant.

There have also been many complaints that the inroads of monopoly capitalism in the wholesale trade and in the trade in goods which are vital make it advisable for the state take over in this sector. Elsewhere, there were those who wanted to overcome monopoly especially in foodstuff distribution by an alliance of farm cooperatives with consumer cooperatives into one organization based on their common economic interests. Others felt that the distribution process could be combined with each respective productive sector, and the whole operation could then be taken over by the state. Nationalization could, in any case, only be considered seriously when it was clear that it is necessary for meeting society's urgent needs. Retail trade is also a useful part of the

middle class and ought not to be sacrificed on the altar of socialization of enterprise. All of such considerations ought to be taken into account when communalization is discussed.

In the face of the monumental *financial problems* that we faced after the War, there are people who, although they are normally opposed to such remedies, advocated the introduction of *state monopolies*. We want to leave the treatment of financial monopolies to finance experts, while we confine ourselves to some general observations.

Financial monopolies too must pass the test of *technical and economic feasibility*; and they also must be *financially viable and necessary*. That is the prerequisite both in principle and in practical terms for introducing financial monopolies. In particular the priority of national economic considerations over financial ones, in fact, especially in the case of financial monopolies, is to be observed. This means that we always have to keep an eye on the economic consequences of introducing such monopolies.

Beyond that, one must still consider whether the situation calls for full-scale monopoly in each particular instance, with private enterprise excluded all of the way from production to sale to the consumer, or whether a partial monopoly might better serve the purpose. In the case of sugar, a pure production monopoly was established with safeguards against exorbitant prices and price gouging on the distribution end of the process. The distribution of sugar did not lend itself to state monopoly. Even large-scale merchandising could not be dispensed with when it came to sugar export. Again, when monopoly has been established in the distribution of a product while its production is left to private enterprise, here too there may be the possibility of partial monopoly as opposed to total monopoly. The latter rules out private enterprise altogether. The former usually invokes wholesaling as where the state buys from the producer and, after an appropriate markup, sells to the small merchant who acts as the distributor. Aside from such common types of state monopolies, there are others which have to be considered in discussing economic monopolies. We have, for example, "marketing companies" (corporations) with exclusive charters, which are subject to state supervision of their operations and pricing policies. Here the state also would share in their earnings. Another possibility is the establishment of a mandatory syndicate for production or distribution with the state enjoying the right of co-determination in business policies, especially in pricing and in the distribution of the

earnings, etc., etc.⁶⁸

Let us sum up once more the vital points in considering the question of state monopoly:

1. We reject in principle and for practical reasons communistic socialism with its absolute concept of the state, as we reject the progressive abolition of all private ownership of the means of production and the eventual nationalization or socialization of all hitherto private enterprise, in other words, the idea of total socialization.⁶⁹ We regard these as unsound for the nation and for the state. The same is true of universal syndicalization where the enterprises would be turned over to their own workers. "Socialization with wild abandon" does not equip the workers with the necessary capacity for managing complex enterprises.

Having the state take over all of production transcends the purpose of the state; in fact it contradicts that purpose. The general welfare is not served by forceful regimentation of economic life by a centralized apparatus, nor by the kind of bureaucratic control which is necessitated by a prevailing collectivistic communized society. It is not possible to reconcile the common good with a condition where citizens become civil servants in ever-growing numbers, when more and more of them lose their economic independence, and where the free development and activity of individuals is more and more circumscribed. Such a condition bodes ill for the individual citizen, and his talents and abilities are more and more stifled. Instead, the individual is overwhelmed and all that is good and useful in him gets lost in the deadening monotony of a mechanized robotical society. Improvement of our present condition is a worthwhile goal and an urgent necessity, but it is not to be found in a universal condition of peonage, in a condition where the great majority of citizens find themselves subject economically, as elsewhere, to a powerful hierarchy of officials, and where the masses of subordinates can only draw their wishes and complaints to the attention of their exalted superiors in a long and involved appeal process.

From the foreign trade and foreign economic policy standpoint, it would not even be possible for Germany to build itself into a communist island by way of total socialization, surrounded as it is by other nations which show no indication of wishing to abolish private ownership of the means of production.

2. However, we also reject the individualistic notion of absolute free enterprise and absolute free competition which rules out any and every

kind of nationalization and socialization. Free enterprise liberalism was not able to prevent the advent of private monopoly. In fact the abuses which came with that liberalism were partly responsible for the situation where public monopolies are now necessary.

3. With regard to the purposes of higher forms of society (state, community) nationalization and socialization only makes sense in isolated cases. That means in each individual instance it would have to be justified on the grounds of economic or financial necessity.

4. So far as the Marxian doctrine is concerned, which holds that there is an inevitable natural evolution toward communism (the materialistic interpretation of history, the laws of capitalistic economic evolution), there is no scientific evidence to support it. Even some of the more perceptive socialists reject the idea. Consequently, the claim that there are certain industries which are now ripe for socialization does not impress us. It is only possible to speak of enterprises which lend themselves to nationalization or socialization.⁷⁰ Therefore, each individual case has to be judged on its own merits to see whether the *technical, economic, and financial potential are present, along with feasibility and necessity*.

Not all economic sectors are "*naturals*" for public enterprise. Where there is a speculative factor present calling for flexibility in management, prompt deliberation, quick decisions, there the inherently cumbersome public enterprise with its bureaucratic control has no place. Political feasibility and limitations also have to be considered. In a purely democratic state, excessive socialization of enterprise constitutes a great strengthening of the ruling party with all of the attendant consequences.

5. One also has to be careful about sacrificing *economically independent entities*, because that can do far more harm to the national welfare and the general condition of society than the supposed benefits offered by nationalization or communization of enterprise.

6. *The correct kind of conditions for the socialization of property will not take the form of communistic schemes; nor will it involve abolishing private ownership of the means of production. Instead, it will entail just the opposite: a broadening of the numbers of owners, promotion of modest property ownership (resettlement laws), strengthening existing small and mid-sized ownership, and providing the workers too with some modest ownership.*⁷¹ With a healthy mixture of private ownership - one that serves to establish a real bond between

labor and the means of production - there must also be present a limitation on the extent of property acquisition of the kind which will, however, not stifle the psychologically important quest for gain, and which is in keeping with the fulfillment of the purpose of the national economy, providing for the needs of the nation, and assuring order in the use of property especially also in the use of land and the soil as being the nation's natural source of nutrition.⁷²

Wherever the state or local community is entitled to take over private property, it is essential that the former owner receive proper indemnity. When private rights and interests clash with the public interest, the private rights and interests must yield to the public rights and interests which are of a higher order. However, this yielding must never go any farther than is really required by the public interest, because that portion of private rights and interests which does not collide with the public interest retains its full validity. If, for example, the public interest requires that a piece of private land be taken over so that traffic may be expedited - the rights of that individual clash with the rights of society; and insofar as that particular property is concerned, he must surrender it. However, inasmuch as the value of that parcel of property is concerned, a value which represents a part of the private individual's wealth, there is no conflict with the public interest. Therefore, the state or the community which expropriates the person's land must compensate him for the full value of the land. That is because it is not necessary for building the particular road that the individual must lose a part of his wealth. The same holds true for any public appropriation of property. It is justified only to the extent that the person whose property is taken over receives full indemnification for the sacrifice of his legitimate private interests.

The solidaristic system is sharply differentiated from collectivistic socialism, inasmuch as it rejects universal socialization of the means of production. It opts instead for a comprehensive *socialization of people*. We want to return to this theme in our discussion of the requisite organizational structure and the reform of labor relations for which solidarism calls.

44. The Organizational Structure of a Solidaristic Society. As a member of the human race, man is sustained by and enhanced by that human solidarity which, like the solidarity of the Christian family, is based primarily on the law of charity. He also finds

strong support and effective advancement through the solidarity of the political state, which is based on social justice. To these, however, must be added something which, although it must be adjusted to suit the varying circumstances and needs of various historical situations, is especially urgent for our own times. We refer to the *corporate order* - the grouping of people according to their particular *common economic interests and functions*. This calls for a *genuine and well-ordered solidaristic union and organization of those who work at the same profession or occupation*. Such corporate orders would especially serve the twofold purpose of promoting the legitimate interests of the occupation in dealing with the state and the general public, and also of regulating or, as the case may be, effectuating the individual capacities of the members - where this is necessary either to assert their own economic interests or to uphold the good of the whole community, their entire industry or their occupation, or where the capabilities of their individual members fall short. There is no question that such corporate bodies can be subject to abuse so that they may operate to the detriment of the nation and of other sectors. In that eventuality, the state would be required to move in and safeguard the common good against such abuse.

Where the Enlightenment could conceive of only a mechanical bond of unity, we really have to reckon with a vital relationship of *reciprocity* and *mutual responsibility* as exists in the *members of an organic body*. Those who provide the food cannot operate without the educational force of those who teach, or without the protection provided by those who are in the military and police forces; just as the latter cannot operate without the services of those who provide the food and education, and as the farmer cannot operate without the manufacturer and the manufacturer cannot operate without the farmer, and so on. Everything is based on reciprocal and mutual interrelationship where all are at one and the same time means and end: means for the whole and ends so far as they themselves are concerned. As Schelling has pointed out, a state is the more complete, the more each of its members recognizes this degree of reciprocity. Therefore, the state has the important task and duty of safeguarding that mutuality; and wherever some class or occupational group gets out of line in pursuing its egotistical purposes, it must step in and restore such recalcitrants to their proper place in the overall fabric of society.⁷³

The proper formation of the corporative organization along with the reasonable grasp of the functions of state authority, in fact, gives rise to the real prospect for *socializing economic life* in the service of the common good and for serving the needs of the nation in a *solidaristic* rather than in communistic fashion.

What we need in Germany today to relieve our desperate condition is what Kautsky proclaimed before the *Berlin Congress of Soviets* in April 1919: namely, "a great staff of highly developed intellectuals." To that we hasten to add: we have need of business management made up of competent, efficient, independent entrepreneurs who are intent on bringing in revenue and on capital formation. However, these business leaders must not lose sight of their objective purpose, which is to serve the needs of the consumers in pursuing their subjective aims - generating profits. They may not put private gain above the fulfillment of the real purpose of economic activity. To accomplish what has to be accomplished calls for socially responsible business leadership. "Individual aspirations of business leaders, as well as among people generally," says Arthur Spiethoff,⁷⁴ "are more indispensable than ever today, because people were never more spiritually sensitive to other kinds of movements than at present; and our nation's economic plight makes it urgently necessary that we exert ourselves to the utmost." He goes on to say: "The economy designed to meet peoples' needs (in the communistic sense) therefore becomes an impossibility for the foreseeable future, and all socialization will have to proceed within the parameters of a socially guided market economy, which will have to take into account the awakening and development of economically productive spiritual motives." The "social guidance" mentioned here, however, does not refer merely to the management of firms but also of vast branches of industry, by managers, customers, workers, and representatives of the state. As Spiethoff says,

Entrepreneurs, by and large, do not have the requisite economic perspective which would enable them under given difficult conditions to be entrusted with managing the economy. Wartime conditions have shown how useful the kind of measures that we are talking about can be, when applied to businessmen's associations and cartels, as well as to those outside of business circles. Wartime made it practically a necessity to turn certain industries over to something like a socialized leadership; and these can now be regarded as

accomplished facts. Over and above the transitional tasks like import and export controls, the allocation of foreign exchange and of raw materials and capital, there are in particular the areas of price and wage regulation which can no longer do without with *social* management. Social peace and the survival of the German economy became dependant on the fact that wages and prices should be established in relationship to one another, and therefore those who determine them have to come to a proper agreement. Social organs seem best able to handle this problem.

The formation of a corporate order of occupational groups is at present still in a state of flux. The great industrial organizations have banded together into national organizations. So have the various specialized agricultural organizations and craft groups,⁷⁵ as well as employer and worker organizations. The culmination of that movement would be a parliament of the various occupational groups.

In the development of the corporate order, *regional organization* must not be overlooked. The vital interests of a large part of the middle class, especially along with its market area, are concentrated in particular regions. That is where the interests of a particular corporate order must find expression especially. For that reason regional alliances are required which will provide a solid foundation for the occupational and industrial orders. It would weaken these regional organizations, especially if they would adopt a *partisan political stance* instead of maintaining political neutrality. The effective and peaceful cooperation of all occupational orders in the same regional assembly would thereby become impossible.

In the *cooperatives* too, which have proven so useful in agriculture, handicraft, and among small retailers, the solidaristic principle is at work as is true even in *cartels*. Yet, both forms of unification are of a *private economic* nature - *economic* unions of their members in pursuit of *business* goals by using business methods. They cannot be put on a par with corporative associations of people in the same occupations, the occupational organizations, but they are instead subordinated to them. Thus we have some reservations about concurring with Ruhland, when he says: "The guild of the future is the syndicate."⁷⁶ A *planned economy* (adapting production to wants) is what the future will bring, but in a form which places the national economic purpose above private economic interests, governed by the idea of *occupational partnership*

and the sense of community understood in the correct way. The whole reform process cannot be built simply on cartelization (which is a capitalistic form of organization.)⁷⁷

45. The Socialization of Labor Relations. As we have suggested, the spirit of community takes on special importance as applied to labor relations. *It is not capital and labor which are bound by a labor contract, but the worker and the employer; it is a person-to-person relationship.* Legally speaking we have a wage contract, but ethically there is a social relationship here involving a *working community!*⁷⁸ Capital is an object or a means in the production process. Man is the goal. This means not only the consumer, but also all who are involved in production, therefore the workers. For capital to use its power to take advantage of labor in a manner which does harm to the worker as a person, whether physically, morally, or spiritually, is reprobated (protective labor legislation); and any kind of exploitation of the workers by denying them the wage which they have earned and are rightly entitled to is to be branded as usurious. It is well and good for management to regard wages as a cost of production in its business accounting. From the standpoint of society, however, wages represent that crucial portion of the national income on which the great majority of people are dependent for their livelihood. The wage, therefore, has to be sufficient so that even the unskilled worker will have enough to live on at a decent human standard which corresponds to the level of cultural advancement achieved by the particular society in question. It has to provide that not only for him alone, but it must also enable him to support his family as befits his station in life; and it must do this also when possible along with some sharing in the profits. Freedom of contract is limited by the Divine moral law. It makes no sense to talk about the eventual abolition of labor-management relations. We have to concentrate on transforming it in accordance with the standards of justice, the social ideal, and the interests of the human cultural community. During the Middle Ages the employer-worker relationship was merely a transitional stage on the way to full economic independence. Temporary shortcomings were therefore easier to put up with. Today, the great majority of mankind are destined to remain workers throughout their lives. It behooves us, therefore, to assure a dignified human existence for workers within the context of our times; and we must also provide for them when, through no fault of their own,

they can no longer work (social insurance programs).

The modern worker is demanding the material realization of that legal equality which the laws of our time have formally provided him with; and he wants that not only with regard to his economic situation, but also in his civil and social situation.⁷⁹ Only then will there be complete *emancipation*, when it extends also to the "fourth estate." The workers are no longer prepared to have the employer dictate their working conditions unilaterally in matters regarding wages, hours of work, and the kind of conduct that is deemed fitting in the shop. Now that workers are supposedly the political equals of other citizens, they are therefore insisting on the other rights and benefits of full citizenship enjoyed by other classes as, for example, a legal framework which will safeguard their rights. Their self-respect will not allow that they be regarded as somehow socially inferior, where the working class is viewed as a sort of social underworld, as an appendage of the other classes, as the object of benign patronage, or as a welfare client. Regrettably this last condition is an especially sensitive issue among workers in our time; and it often leads to unjust demands which hurt the workers most of all.

The true friend will not make a practice of patronizing either the employer or the worker. Instead, he will remind him not only of his rights but also of the responsibilities which he has toward management and to society. Certainly one cannot always expect and demand sacrifice. Heroism is aroused by awareness of obligation. Obligation, however, always goes along with an awareness of the right and the claim to one's own happiness, so long as the common good of the whole and regard for the rights of others do not require sacrificing it. Even a person in the humblest station in life insists on that. He only feels himself to be a citizen when social solidarity stands by and protects his interests in the same degree as it does the interests of the rest of society. He feels abused when it short-changes him; and he feels like a slave when he is excluded entirely from the bond of social solidarity.⁸⁰ All of this applies to every condition of political and social life, but it also applies in the economic relationship with the capitalist employer. Where persons unite with other human beings to achieve some common purpose, the genuinely human, social, solidaristic, in other words, the moral impulse, must never be lost sight of. There are reciprocal obligations, reciprocal rights, reciprocal sharing in the results which are the purpose behind any such unity!

Thus, the principle of solidarity casts a new light especially on the

relationship between labor and management which has been badly distorted into an adversarial relationship by materialism and selfishness. It considers, first of all, that all work which is geared in civil society toward the advancement of culture and the production of wealth has to be regarded as *a cooperative effort on the part of all, governed by social responsibility* for the promotion and safeguarding of the *common good*. Secondly, it seeks to assure to all occupational groups the fruits of their cooperation and full participation in the advancement of their culture and the enhancement of the nation's welfare, as befits their various stations in life and their contributions.

"I see in the quest to advance the weak in society a great, indeed perhaps the greatest and noblest law of mankind; and it has to be a source of pride for anyone who can participate in bringing this about." Thus spoke the Minister of the Interior, Bethmann-Hollweg, on 23 March 1906 in the Prussian House of Delegates. But is that "advancement" of the weak not a concession to the *"democratic trend of our time?"* If it is the kind of "advancement" which is *supposed to reconcile the "classes,"* very definitely! Maurice Bourguin⁸¹ said,

The society of the future will be far more democratic than that of our own time, because the democratization of the political world must of necessity bring with it the democratization of the economic world.... Democracy has its weaknesses, since it is human; but it also has its grandeur. We have to welcome it without reservations and without fear; we have to approach it with charity and enthusiasm, because it represents a social order which in an advanced culture elevates individual values to their highest levels and achieves the greatest happiness for the greatest number.⁸²

Solidarity is, as we pointed out in some detail in the first volume, first of all - a fact: the well-being of individuals and of groups is conditioned by the well-being of the whole and of the respective community, and vice-versa. If we require, for example, that labor relations ought to take the form of a true working community, that is, after all, stating what is simply a fact. Nothing is more foolish than to underestimate the worth of "the calloused fist" for the success of industry. In heavy industries like coal-mining, such hard manual labor is until now the mainstay of the industry. The same is true in the iron and steel industries.⁸³ On the other hand, such physical input is

dependent on the know-how of the engineers, the chemists, and the factory managers. Minds and strong backs work together in production. They condition and complement one another reciprocally.

Solidarity is, however, also an *ethical principle*. That gives rise to a twofold requirement: the indispensable condition calls for a proper coordination of the working community with society, as we developed above, and also for a restructuring of present-day labor relations into a solidaristic working community.

1. True solidarity, remains at all times and in all places in harmony with the *overall pattern of responsibilities*. Properly understood and applied, social solidarity is never a principle of one-sided, unjust interest or class policies; and it never conflicts with the *solidarity of higher and wider-ranging communities*. The solidarity of an occupational group therefore subordinates itself to the solidarity of the state, that being of a higher order of society. Nor does it lose sight of the fact that all of its members are also members of the human community and that as human beings they have to respect the rights and the freedom of other human beings regardless of whether they belong to one or the other special organized group, or whether they are not organized at all. F. W. Foerster tells us,

The word, *social*, is used a lot these days without much thought being given to its real meaning and implications.⁸⁴ The policies of a significant sector of the working class at present is not a real social policy, but an imperialistic one. It strives not for integration but for domination. It looks at the protection of worker interests not from the point of view of the *social whole* and with regard for and protection of the claims and concerns of others. Instead, it concentrates on gaining the maximum favor for one particular class as opposed to others. This represents an individualistic policy far more than an organic policy, notwithstanding all of the talk about humanity. Humanity knows only too well what is to be expected in a social milieu devised by those who make it a point to enthrone the religion of class in the place of human society. Other classes have sinned in this way too. It was left to the Social Democrats, however, *to turn a weakness into a theory*."

It is not the much heralded "*solidarity*" of the "*comrades*" but the

communistic principle which characterizes socialism. If they talk about solidarity in passing, that is not the kind of solidarity which redounds to the benefit of the whole of society. What we are dealing with here is all too often the one-sided cultivation of a *collective class egotism*. That will be fostered by a massive disregard for the rights of others, so that the true democratic spirit will be annihilated.⁸⁵ *Genuine democracy does not seek the abolition of all differences*. What it does seek is life, development, and freedom for every force in the nation which serves the good and the well-being of mankind. If the labor movement is to become a genuine cultural movement, then it must recognize the legitimacy of higher goals, goods, and ideals which rise above the momentary prosperity of the class; and then it may also not lose sight of the rights and the well-being of the entire social community in pressing its demands. And it must abandon the class struggle and the brutal methods used in this class struggle.

This does not mean that workers may be denied the right to strive for better working conditions and higher wages by effective organized self-help, in a manner that does not infringe on the rights of others and on higher obligations. On the contrary, we welcome the movement to organize which is spreading ever more widely among both workers and employers as being in conformity with our basic principle. We do so with satisfaction despite misgivings about some of the unhappy side-effects that have come with the movement. And we are well aware of the great practical impact it has made on the welfare of the nation. Despite the prolonged antagonism which is all too often generated by the embittered struggle, once the balance of power is achieved between the conflicting parties these organizations will once again find themselves in an *occupational community of interests* which naturally unites them and directs them toward one another.⁸⁶ Therefore let us not lose our hope for better days during the dark night of transition, where the light of the dawn is already perceptible in the distance: *reconciliation of the classes in the higher occupational community!*

2. Because of the reckless class conflict and the release of unbounded greed which characterizes it, socialism makes common cause with *materialistic atheism*.⁸⁷ However, social solidarity as *an ethical principle* and at the same time as the overriding principle of the social system of human work places this system in opposition to the *materialistic* approach to economic life. We recognize that human life and the life of a nation involves more than just its material aspect.

There are spiritual and moral goods too, both for individuals as well as for society, and these are not to be sacrificed on the altar of material interests. There is no genuine culture, no human or social welfare without those higher goods. All of these things are interrelated in society; and therefore, when we are passing judgement, we are never permitted to lose sight of the connection between practical proposals and their relationship to *higher human values* and the *overall culture* of the nation, and their consequences and effect on these. (*The Principle of Cultural Unity*)

Let us sum up one more time briefly and concisely the most important differences between a social-organic, an individualistic, and a collectivistic organization.

Individualism has split the economy into a mere aggregation of individual economizing individuals. You end up with a brutal conflict among individuals and economic units which are out to serve their own selfish interests with no holds barred. The economy is devoid of any intrinsic unity. There is lacking any real all-embracing unifying organization. As a result, what developed is what we designated previously as *capitalism* which we also rejected: the unlimited supremacy of big capital and moneyed interests, the kind of plutocracy which ended up enriching itself beyond all measure by monopolizing business for its own selfish interests and by usurious exploitation of its fellow human beings, consumers as well as workers, and by suppression of the middle class. These capitalists pursued profits without restraint and beyond any proportion to their own real contributions and intelligence. We had here a kind of plutocracy which had the knack for engaging in sterile speculation both in and outside of the organized markets and at the expense of the national economy. By virtue of its financial power, it therefore ended up dominating all of society economically, politically, and even culturally.

Collectivistic socialism developed as a reply to capitalism. Not everything about this socialism is wrong. Its problem lies in its excesses. What is right about it is twisted and carried to an extreme. The unity of the national economy is exaggerated inasmuch as the state or "society" becomes the subject and the leading character in the whole economic process. The organization of the communistic economy is analogous to the physical structure of the animal organism. In it, each member is merely a member; and so in the collectivistic society each individual person becomes just a "comrade" without any economic

independence. Society becomes a universal compulsory welfare agency - one immense economic commune. Thus the solidarity idea or the concept of "comradery" is twisted into a one-sided class concept. There is no trace of democracy among these so-called "independent" members! Even the social democratic concept of an "International" is simply a gathering together of the international proletariat. It does not involve a real community of nations.

What is characteristic of *solidarism* and the *social system of human work* is the synthesis of the individual and the social aspects. The plurality of private economic units is preserved. However, the plurality is guided toward unity by reference to the national welfare as the great over-riding purpose of the state, which is binding upon one and all. The economizing individual is not stripped of his role as a citizen of political society (Rösler), as is the case in individualistic society. Nor is the concept of comradeship a mere class concept as is the case in collectivistic society. It is a citizenship-concept which embraces all citizens, not merely the proletarian "comrades." Thus the economy as a working community of free citizens becomes a *genuine communal economy*, not in the sense of a regimented communistic economy, but by the subordination and integration of economic individuals to the overall purpose of the whole economy, which means meeting the needs of all people on a level conforming to the given level of culture. This economic purpose does not rule out the market economy as the communistic planned economy does. We are not dealing here with an animal-like organism - a physical-organic community in which the associate loses his identity in the community. We are dealing with a morally-organic bond which does not make those who are a part of it members only, whose sole purpose is completely submerged in the purpose of the whole. They have their own natural rights deriving from their identity as persons; and they have their own goals - personal goals along with personal responsibility - and they retain their economic independence.

46. Hallmarks and Benefits of Solidaristic Organization: Freedom Along with Order; Restriction on Arbitrariness; the Unification of People's Abilities; the Harmonization of Interests; the Reconciliation of the Various Classes and Stations-in-Life. The alleged organization of the *individualistic* economy is established on the

principle of *economic autonomy*, *individual freedom of contract*, and *individual responsibility* on the part of the various economic units which are working out their own economic destinies within this structure.⁸⁸

The organization which communistic socialism would substitute for private free enterprise is the communal social economy. In place of personal responsibility by each individual for his own subsistence and welfare you get social responsibility, meaning the welfare of each individual comrade is taken care of by the community directly.

The social system of national economy, as we have indicated, does not part company completely with private economic activity. It does not abolish economic independence and competition, and individual responsibility. It does not seek an overall social responsibility to take care of the needs of all members of society directly in a collectivistic manner. However, it: 1) defines and limits *economic freedom* and *competition* according to the demands of justice and the *common good*. It *regulates* and *complements* them by the principle of *mutual support* one for another, and by *occupational organization*. 2) It establishes along with individual personal responsibility, *juridical, social responsibility on the part of public authorities* on the one hand, and *juridical social co-responsibility on the part of all citizens and their various associations* on the other hand, all in the service of the general welfare of all; and it places their obligation to take into account the well-being of others and the harmonization of their interests to the common interests of the whole nation alongside private responsibility for one's own self. By all of this it provides the indispensable prerequisites which are necessary in the first place to make possible economic personal responsibility especially on the part of the weaker members of society.

1. Benevolence ought not to be construed as the sole mainspring and the only motivating force in society. That would be a dream, an idle fantasy, and it could not be conformable to a system which is in touch with everyday reality. There can be no talk of abolishing and eliminating *self-love and self-interest*, but only of regulating and ordering these in such a manner that neither the individual nor society will be short-changed. The same is true of freedom.

So long as freedom remains an ideal, it will be idolized. If it is once reduced to a reality, it comes tumbling down from the heights and begins to serve selfish purposes. Why should that be? Freedom, if it is

not to become the base instrument for crude self-seeking, needs a higher measure and a guideline. That higher principle is justice - the guidepost for freedom; and the acceptance of the principle of authority is likewise necessary to develop and to guarantee in us and roundabout us the degree of justice which is required lest freedom is to remain simply a caricature. Authority prevents freedom from becoming merely a device for pursuing individual aggrandizement, while forgetful of the requirements of social living.

It is not freedom but *order* which provides the basis for society. We may postulate that reason requires the sacrifice of freedom for the sake of order, but only to the extent that the higher requirements of justice and of the common good place limits on arbitrary conduct. It is a matter of practical prudence to determine in every instance what the proper measure of freedom is.⁸⁹ Freedom is problematical - not axiomatic!

When the older school of economics erected *free competition into a principle that was valid for all times*, it proceeded on false premises, as Bela Földes has said. "*La concurrence conduit au monopole.*" (L. Blanc) Absolute free competition will destroy itself through the conquest of the more powerful and the elimination of the weaker. Do we not see this before our eyes, how the mighty, unchecked by any legal restraints, use cartels, trusts, and amalgamations, and strive selfishly to limit and eventually to destroy their competition? Are we not witnessing on all sides the attempt to vanquish the competitors and competition itself by promising the consumers advantages which no one else could possibly offer them? In other words, competition is in reality no longer so universal, and it cannot be so universal in the future as liberal economic theory has proposed. It needs limits to prevent it from destroying itself and to afford that legitimate degree of *healthy competition* which is vital for the well-being of society.

Some are fond of repeating that where free competition is operative a nation will enjoy the greatest possible satisfaction of all of its wants, so that the interests of the consumer will be served best. Every man is free to choose his occupation, and competition will assure proper wages, profits and rent. Instead, as others have pointed out,⁹⁰ total free competition has led to the survival of the strongest and also the least scrupulous. Small businesses have been ruthlessly exterminated by big business in such a way that this kind of competition has done everything but provide assurance that the national needs would be adequately taken care of, and that there would be a healthy price

structure and equitable income distribution. In other words, it has been said with much justification, that competition needs something to keep it in line and to enable it to do what it is capable of doing.

2. The necessary corrective and complementary adjustment is to be found in:

a) *effective restraint on the private economic sector.*

Free trade, which calls for freedom above all, does not mean, as Montesquieu pointed out in his *De l'Esprit des lois*, that a merchant can do whatever he pleases. Limitations on his activity are often the only means to keep trade in the proper channels. Indeed, the merchant can have his freedom curtailed in his own and in his nation's best interests. For example, there are attempts to protect national productive capacities against foreign competition by tariffs, as there are also measures to prevent shoddy practices, unfair competition,⁹¹ monopolistic abuse of trusts and cartels, etc. If it is the purpose of commerce to act as go-between in dealings between consumers and producers within a particular time and place framework, and to facilitate these, then enterprise may not assert the kind of freedom which would impair those dealings and to raise prices unduly.

The economy represents a unified whole and a community, not only internally, but also with regard to its position toward the outside world. In his economic relationships as well as otherwise, the economic individual remains the citizen of a certain state. He may not, therefore, undertake any initiatives which harm his own national economy or discredit his own nation. Scarcely anyone would propose seriously that individual national states are, or can be, fully self-contained and autonomous. Yet, it would be unwise to minimize the degree of national autonomy and to sacrifice certain economic sectors where it would be in the best interests of one country to hang on to them. Domestic production has its natural center of gravity in domestic consumption. Is each and every act of capital investment abroad in one's national interests? In other words: *the national economy may not be sacrificed to the world economy in the name of free trade!*

The various individual nations do not find themselves in a position where they are economically equal, so there is no guarantee that all will make out equally well in free trade. If a country is flooded with merchandise, it may well be impossible for domestic production to develop. We may not declare in favor of free trade on behalf of the whole world and of humanity. It is not the world and humanity, but

individual foreign national economies which may find it in their respective interests to call for full freedom of trade. And sometimes there are simply certain vested interests which stand to gain by it. All in all, a nation with a growing population and limited territory will of necessity begin to reach out in world trade. That is why we too are prepared to foster the idea of an international market, but always in such a way that the national market will remain a strong first line of defense. Or does someone seriously expect that all nations will always and everywhere abolish their trade restrictions and tariffs? No state can in the final analysis adopt a standardized inflexible position toward world trade. That has to change as the requirements of the national welfare change, and as circumstances internally and externally vary.

In this matter of how much freedom is to be allowed, public authorities must also take into account to what extent they wish to tolerate the elimination of the middle classes by arrangements and combinations which hide behind the pretext of low prices.⁹² They have to consider whether the preservation of a large independent class of citizens may not be more important than cheaper prices for merchandise, which, incidentally, may only be temporary.⁹³

The economic principle, according to which we seek the greatest possible return for the least possible cost, applies not only for the economic individual but in the overall national economic process. Senseless waste of resources and energies is always wrong. In the national economy, however, private economic interests are not the ultimate ones. They are to be subordinated to the economic interests of the nation which bear an important relationship to the social unity of the nation and of the national economy,⁹⁴ and also to the overall material well-being of all. For the general welfare of a nation it is more important that independent and vital classes of people be preserved than that certain prices are higher or lower. Man, the various stations-in-life, and the nation may not be sacrificed to the commodity on the market!⁹⁵

When we discuss limits on competition, the problem of restricting economic freedom for the sake of the public good obviously extends beyond the problem of buying and selling, also to the relationship between big and small business operations.⁹⁶ One important example is to be found in labor legislation which protects the worker specifically in these rights which, for the most part, he cannot relinquish, but which he is sometimes forced to surrender out of desperation.

b) The communitarian sense calls for more than merely restrictions

on arbitrary conduct. It requires also that men are bound together in true unity, that they combine their energies, that they extend a helping hand reciprocally through whatever form of private as well as formal public association, and that they cooperate in free or official public corporate bodies.

According to Peter Kropotkin⁹⁷ the psychic root of progress is "a feeling that is infinitely broader than charity and personal sympathy (Büchner) - an instinct which has experienced an unusually long period of slow development in animals and in humans, and which has demonstrated to animals and to humans how much strength they derive from actions of mutual assistance, and what joys they get from social living." Actually, the validity of the instructive quality of this altruistic "instinct" could all too often be interrupted and set aside by the more powerful egotistical drives. Humanity will not permit itself to be saved by "feelings" and "instincts." For that, what is needed are clearer insight, practical reason, an energetic will, a sacrificial sense, and therefore also an awakening of conscience, of the sense of responsibility, of genuine fulfillment of responsibilities on all sides. Only in this way can associations too thrive and reach the point where they will provide reciprocal assistance, not merely to combine the powers of their members, but even more so to moderate and regulate their power. It is precisely such regulation which we need at present.

The now more than one century old revolutionary era has happily cleared away some of the cherished treasures of an arteriosclerotic conservatism. And although it has done more harm than good to the welfare of nations, it will eventually culminate in a healthy *new organization* of all of society. What the nation has lacked until now is a solid intrinsic framework. That is why the restless pulverized masses were all too easily and quickly aroused by the influence of political and economic currents, like storm-lashed waves in an ocean. Politically and economically, our times are marked by agitation, attempts to rally the oppressed classes, despotism whether by individuals or by the multitude, or even complete anarchy. Only the kind of organization which relates to the genuine national welfare can bring salvation.

3. Along with limiting arbitrary conduct while preserving legitimate freedom, independence, and individual initiative, and along with uniting people so that they combine and direct their energies toward an orderly production and distribution of goods, one thing more is needed - a third practical deduction derived from the sense of community. We need

harmony among the various conflicting interests and, thereby, a reconciliation among people in various walks of life!

It is inevitable that there are bound to be conflicts of interest within a nation. Now if the individuals and the various classes and contending groups try to resolve such conflicts unilaterally in their own interests, without regard for others and for the common good of all, peaceful and healthy coexistence would be in constant jeopardy. Therefore a harmonization of interests is necessary whereby each gets what he has coming to him in the context of social interdependence. The statement of the principle is far easier in this case than the practical resolution of the problem.

The solidaristic system, as we have seen, places social responsibility side-by-side with individual responsibility. Thus, it is made clear that we cannot expect salvation from the free and irresponsible pursuit of one's own self-interest. Who, however, is the *subject* of that social responsibility?

a) If there is no organ of society present which represents the interests of the whole and the future of the nation, we cannot consistently expect that the general interest will be safeguarded. The organ which is responsible for the general welfare in the first instance is the public authority. That authority cannot be held directly responsible for the welfare of the individual citizen except in cases of dire need and emergency. Seeing to the welfare of the individual is the natural function of personal initiative and responsibility. However, where general economic and social conditions are involved, as we have seen, the public authority as the court of last resort has to make provision by legal protection and other welfare measures, insofar as other social forces have not been up to the task. In that way the members of society in the various occupations which are necessary or useful for the welfare of all, may work out their destiny in a self-reliant and responsible manner. That is what we mean when we refer to the social responsibility of public authorities for the welfare of society as a whole, and to its legitimate activity in achieving a balance among the various conflicting interests.

b) However, the various organs which make up the state also share in the responsibility for the general well-being of all in a social juridical manner.⁹⁸ The more complex the economy becomes through the progressive specialization of labor, of the tools of production, and of the money exchange process, the more various sectors of the economy

become mutually interdependent, the more the labor of the various occupational groups grows in its social implications by virtue of intense division of labor in society, and the more power the *occupational groups* representing first and foremost the interests of their own groups develop, the more important the *solidarity of the citizens of the state* and their awareness as citizens of the state will become for the organization of the national economy, its survival, and its progressive development. This social and juridical co-responsibility of citizens and of their associations for the prosperity of the whole will in practice not be satisfied solely by payments to cover the needs of the state in accordance with the principle of ability-to-pay.⁹⁹ What is needed in addition is the sacrificing of one's own interests, where the legitimate interest of others and the overall harmony of the public welfare calls for an adjustment of opposing interests, and for surrendering in some degree the interests of individuals and occupational groups.

47. The Social System of Human Work, Religion and the Church. According to Schäffle, the economic personality goes into decline once it divorces itself from moral and religious precepts. However, the state and society also are certain to succumb to degradation without the salvific influence of religious forces on economic affairs, relationships, conditions, and associations. Psenner said,¹⁰⁰

A correct *Weltanschauung* and approach to life together constitute the only proper point of departure for human activity, and that includes economic activity.

The economy is not something mechanical, some inanimate machine, which has to be constructed and operated according to certain physical rules, so that it will then run according to some definite pattern. It is, rather, something made up of living human beings; and therefore it can be operated in a moral or in an immoral manner.¹⁰¹

And it will be conducted immorally under the aegis of communistic socialism, as well as under that of individualistic capitalism. Why? Because the materialistic philosophy of life, which socialism adopted slavishly¹⁰² from liberal capitalism, cannot offer moral guidance to mankind. Theodore Steinbüchel noted,¹⁰³

As long as we have not learned to place the soul above matter, in principle, we will be in no position to overcome the capitalistic spirit of individual egotism simply by socializing the economy. Every kind of socialism will remain a sterile mechanical structure. Socialization of attitudes is a prerequisite for the kind of socialization of the economy which brings with it a real ethical sense of social responsibility and social co-responsibility.

A vital community where all may prosper, a well-ordered communal order, a peaceful co-existence and a purposeful and durable kind of cooperation cannot be guaranteed by the fiat of a political state or by external compulsion. What is needed essentially is an internal ingredient which is transmitted to the people and safeguarded by religious and ethical education, i.e., by good will and a *sense of responsibility* on the part of all, whether of high or low estate. This calls for those *social virtues* which overcome selfishness and make men capable of sacrifice.

48. The Social Virtues: Justice and Charity.¹⁰⁴ Justice and charity represent far more than mere subjective and psychological impulses. They are basic ethical principles for the objective regulation of social life; and they represent sacred obligations binding the consciences of citizens and kings, of those subject to authority as well as of those who are heads of state!

Justice renders or leaves to each person what is his due, and what he therefore may rightfully claim as his own. This does not mean that each person will get an equal share, but that each must get that to which he is entitled. *Suum cuique!* What does the citizen owe to society? What does society owe to the citizen? What do citizens owe to one another? It is according to this threefold pattern of relationships that we make a distinction between legal, distributive, and commutative justice respectively. Legal justice is characterized by subjection to higher authority, while distributive justice involves being in authority over others; and commutative justice reflects a relationship among those on a par with one another.

"Legal" justice governs the relationships of members of society to society, inasmuch as it adapts these relationships to the requirements of the general welfare. This kind of justice is exercised by citizens who keep their individual interests subordinate to the interests of society as a

whole, and who, in obedience to proper authority, make what sacrifices are required for the common good. However, it is practiced also by those who are entrusted with the task of administering the power of the state for the general welfare. In other words, the *object* of legal justice is what is necessary for the common good of society.

"Distributive" justice governs the relationship which society has toward its members. In other words, it requires that the benefits and burdens which go with living in society are distributed according to social merit, need, and contribution, (in legislation, in the administrations of laws, and in the tax structure, etc.).

"Commutative" justice involves rendering to another exactly what is his strict due (*the principle of equivalence*), like the just price for goods, the just wage, etc. Here the subject and the object of what is right are totally distinct persons, whereas in legal justice the separation is not total, since the person who is obligated is still a part of society. Furthermore, we have here a condition of absolute equality between what is owed and what is exacted. That is not true where distributive and legal justice are concerned, because they call for relative equality. Demands are apportioned according to the varying capacities of individuals. It is for this reason that legal justice has been designated as "geometric" justice as opposed to the strict arithmetical *iustitia commutativa*.

Commutative justice, therefore, governs the various exchange relationships among private persons (or among those who are dealing with each other as private persons),¹⁰⁵ mainly as regards what is *mine* and what is *thine* in the world of goods. Since it applies mainly in the exchange of goods and services, it has gotten the name, "commutative," commercial, and exchange justice. Its object is the strict claim based either on nature or on some contract (and therefore enforceable by law). A man's personal goods, among other things, are safeguarded by commutative justice. Such goods are regarded in the first instance as that which is "my own." Indeed, they include the kinds of goods which I could not effectively do without, even if I wanted to. The exceptional importance of this commutative justice for everyday business relationships among citizens is clear. However, anyone who is completely imbued with the sense of commutative justice will quite naturally also be inclined to deal equitably with his fellow citizens. A person is fair, as Schelling said,¹⁰⁶ "who will not insist on his rights no matter what the consequences are for his neighbor, even though the law

is on his side." According to Knies,¹⁰⁷ equitableness will, in fact, incline a person to forego an opportunity for excessive advantage and profit in the interests of others, even though he may have the law on his side, and when there is the actual and legal potential for realizing such excessive advantage. The act of fairness is not mere liberality. On the other hand, it is not an act demanded by the law and by justice. It is, instead invoked more out of a sense of decency.¹⁰⁸

Distributive justice has a twofold function. It must provide for the apportionment of social burdens according to the abilities of citizens to bear them; and it must see to it that the goods of society are distributed according to the needs and contributions of its members. The distribution of wealth, as that is understood in economic terms, is not one of the functions of the state, because the state does not own the national wealth. Nevertheless, the state cannot remain indifferent to the manner in which wealth gets to be distributed. The state, therefore, is acting in accordance with legal justice when it sees to it that commutative justice is safeguarded in the "distribution process." Beyond that, state authority can exercise significant indirect influence on income distribution by the way it makes and administers laws.

Legal justice constitutes the actual bond which holds society together. It is by virtue of this justice that public authority can and must intervene on behalf of the general welfare and require of its citizens all that is necessary for the common good, whether for dealing with some particular circumstances, or on an ongoing basis. On the other hand, legal justice requires that the citizens, for their part, do not harm the common good by their self-serving actions, and that they perform the services which the public authorities require that they perform for the sake of the common good. Through the mediation of the law-giver, the obligation which requires that the citizen must subordinate himself to the needs of the community and to make positive contributions to the common good - an obligation which exists whether or not laws are passed to that effect - simply becomes more specific and clear-cut. Can the state, on the grounds of legal justice, make a legal obligation out of what would in any case be an obligation in charity? Obviously not in the same sense that it can turn an obligation in charity into an obligation in commutative justice. Yet, under certain conditions, the state can require specific actions which are required, as such, only in charity. The obligation which arises from such an action on the part of the state becomes an obligation in legal justice.¹⁰⁹

The expression, *social justice*, is relatively new. Sometimes (as is the case with "social morality") it is used to refer to the kind of justice which ought to prevail in society. Nowadays social justice usually means the kind of justice which is *proper to society*. Used in this sense, however, "social justice" is taken metaphorically as meaning mainly the same as "social order," the objectively well-ordered condition of the social body, the correspondence of actual social conditions to the ideal juridical state of affairs.¹¹⁰ In the *proper sense of the word*, however, social justice has as its object *the claim to the well-being of society*. But this social well-being can, in turn be understood in a twofold manner, *in fieri*, and *in facto esse*, in other words, *how it comes into being*, and *how it is enjoyed*. Therefore, social justice includes both the claims of society on those in authority, as well as on each of its members, on its citizens, and on the various occupations and stations in life, for *promoting* and *preserving* the public welfare; and it includes also the right of every citizen and of the various classes, occupations, and levels of society to *share in the enjoyment* of the social good. It is the function of social justice to govern both kinds of claims; and thus we may distinguish between *contributive* and *distributive social justice*. It takes both of these aspects together to make up the *integral notion of social justice*.

Social justice, therefore, requires the *fulfillment of all obligations* as well as the *realization of all claims which have the well-being of society as their object*. It is not satisfied merely with the tranquillity of order; since it is also a principle implying progress, the dynamic principle of healthy continuing development or reform in given circumstances. "Social" justice includes *legal and distributive justice* as opposed to commutative justice which is "individual" justice. Now if we take social justice in its *broadest sense*, as the kind of justice which ought to apply *within* a well-ordered society, then it would naturally include legal, and distributive, and commutative justice all together.

From what has been presented here it is clear that individual economic units and the various distinct estates and classes may not pursue *their own special interests* without regard to those in other stations-in-life and classes, and to the community as a whole. To a very large extent, social justice has to do with a harmonization of these various interests.

Social harmony does not result merely from freedom as Bastiat taught, but from justice which assures to each what is his own, and to

every contribution what is its due remuneration.

Charity can suggest either *benevolence* or *actual good deeds*. Benevolence is not always the determining motivation for doing good. Vanity, egotism, respect for custom or convention, etc., can motivate good deeds. On the other hand, natural benevolence, or philanthropy, is often to be found in rich measure among people who do not share Christian beliefs. The Christian, however, ought to hold in high regard that kind of purely natural, but honest and unselfish, benevolence of one person toward another. That fosters, as does the common nature which all men share, a certain harmonization of like interests; and it is a principle for promoting friendship and good relations among people. Christianity lends new force to such natural dispositions. They are enhanced by supernatural assistance; and they are ennobled by the motives of faith and by the law and the example provided by the Redeemer.

Justice and charity are different, yet they are not virtues which are juxtaposed to each other. They rather complement each other and provide powerful support, one for the other, in society. Justice is the unshakeable foundation of social order, but charity is indispensable for the preservation and development of society. In all events, charity must not be regarded merely as a kind of decoration, or as providing some extra mellowing effect in man's social relationships. Whereas justice may prevent men from harming each other, it will not of itself assure that they will go out of their way to help each other. How often a person, and sometimes whole groups of people or classes, find themselves in a position where they need help to which they have no claim in justice! That is why charity must complement justice so that one person will help the other, even when he is not compelled to do so by any kind of legal obligation.¹¹¹

Charity must, first of all, fill gaps left by justice. Coordinated charity can accomplish more than scattered efforts. Beyond that, charity is the custodian of justice. Without charity we are not always strong enough to act as justice would require, faced as we are with our own natural weaknesses which incline us to disregard the rights of others. Charity makes the observance of justice easier. He who is motivated by charity to give freely of what is his, will, by and large, be much more likely to do what is required of him in justice. There is a definite psychological and moral link between charity and justice. Charity assures the exercise of individual and social justice; but beyond that, it assures the

fulfillment of all of those obligations which cannot be demanded in strict justice but which are called for by a sense of fairness. The spirit of peacefulness is closely linked to charity. Jhering held that, "The struggle for what is right is the poetry of character." Indeed, he protested against all talk of discord and quarreling and all desire for legal action and contestation.¹¹² According to Jhering, good character calls for resort to legal remedies only in cases where a violation of rights involved an attack on the human person. The work in which this great teacher of law defended that point of view was, despite its popularity, subjected to severe criticism by highly respected legal authorities. Kohler, for example, regarded the alleged obligation to fight for our rights as a "tasteless idea, which would only succeed in turning our lives into a torture chamber..." etc.

A society that is governed entirely by charity alone has to be regarded as an unattainable ideal in this world. We still need external compulsion by a firm legal structure and the timely upholding of objective legal standards which operate independently of peoples' feelings. People, after all, differ. Some have a good disposition, while others have a malicious one; and some are blessed with abundant good will, while others are not. The words of Eichert are especially suited to our own times.

"Enkindle roundabout us on the mountainsides, the blazing beacon of our times: justice!"

49. A Brief Review of "Socialization" as Understood in the Context of the Social System of Human Work. The essential aspect of the kind of socialization which is needed in our times cannot mean nationalization or communization of the means of production, but *the socialization of people*. The existing antagonism between individuals, classes, and nations will have to be replaced by an orderly cooperation with and for one another.

1. All people belong to one great family of God. As children of God they are brothers; and as such they have the obligation to respect each other and to maintain a loving and just relationship in their various mutual dealings.¹¹³ What we need today especially is not chauvinistic national antagonism, but Christian *reconciliation among nations*.

2. Citizens of the same political community are obligated to work for the national purpose, each according to his station-in-life and according to his ability, without surrendering his own personhood and natural rights.

The material side of the national welfare is a part of the national purpose. It is by this common obligation, which all citizens share, that the national economy assumes unity and becomes a working community. It has the material national welfare as its primary task.

The unity of the national economy is, like the unity of political society, not a physical but a moral unity. The economic independence of its citizens is maintained in the process. The national economy becomes a community not by the elimination of this independence, but by integration of private economic units into the national economic working community, and by subordination to the common purpose which is incumbent upon all.

3. Civil society gets its organic structure through the organization of the various occupations; and in the economic sphere this means by economic occupational organizations. These are to represent their own vocational interests, but always in a manner that is subordinate to the common purpose of the economy; and this imposes obligations on them as well as on their individual members.

The communist schemes, too, are lacking in any appreciation of the value and power of vocational organizations. In today's world, communism recognizes only two classes: the proletariat and the bourgeoisie; and in the world of tomorrow it envisions only a society of comrades without any of the vital occupational groupings. It is even suspicious of the labor unions through which it originally operated.

4. The relationship between workers and employers, understood in terms of the private economic unit, is a working community with a common interest in the prosperity of the business. From the point of view of the national economy, it represents an occupational community of those who work in the same segment of the economy. Such a concept stands opposed to the call for a bipartisan structure of occupational organizations of employers and workers, and it provides the only possible basis for a system of shop councils (democratization of all of the operations which are not family operations). The unifying occupational idea - which involves the unification, not of "capital" and "labor," but of those who manage with those who carry out the instructions of management in the service of the whole - that is what overcomes the divisive class concept.

50. The National Economic Process in the Light of Solidarism. If people are to be fused into a real community in the

sense that we are proposing, this calls for *regulation of property relationships* and of the *national economic process*. That is the second and equally essential condition for genuine "socialization."

1. Wherever excessive wealth exists side-by-side with dire poverty, there has been a breakdown of the kind of order which social responsibility and justice call for in property ownership and in the acquisition of wealth. A sound stratification of property ownership with moderate wealth, a broad middle class, and the assurance of a dignified human level of living for even the humblest classes - that is what the material well-being of a nation calls for, and what all must therefore cooperate to bring about.

2. *The national economic process* must serve to accomplish the national economic purpose. Therefore, it must include the kind of regulation which will assure its achievement.

a) the *principle underlying such regulation* is, of course, the task of the national economy as derived from the purpose of the state: providing people with the external goods which they require in keeping with genuine national well-being.

b) As regards the manner for fulfilling such needs, the following principles apply: a) the economic principle, which must, however not adapt itself exclusively to the private interest, but also to the national welfare, and therefore; b) the principle of the national economy; c) the hygienic principle; d) the aesthetic principle; and e) the ethical principle. Only where the requirements imposed by these various principles of satisfying wants are fulfilled can there be talk of accomplishing the economic purpose in a manner which conforms to the requirements of culture and progress.

c) All three steps in the economic process are the objects of regulation: 1. the production of goods; 2. getting them into the hands of consumers by the exchange process; 3. income wealth distribution.

a) So far as the *production of goods* is concerned, the rule is to *produce in conformity with wants*. Wants are not always the same. After the War, for example, increasing the production of necessities was especially called for. However, even in normal times, there must be a proper proportion between what is necessary, what is useful, and what is convenient (no production of luxury goods in abundance, while there is a lack of necessities.)

"An economy geared to production for satisfying wants" does not of necessity have to imply a communistic structure. It can be a kind of

production-to-customer-order, where goods are produced to order (as occurs in our time, for example, in the case of large-scale projects, machines, etc.) However, even the market economy allows the satisfaction of wants by adapting to wants. Thus, the cartels have already attempted such adaptation, which would be much easier in an economy organized along occupational lines.

b) For *exchange transactions* the rule is: *quality merchandise at a fair price*. As regards the merchandise, this means that all manner of deceptive practices in the matter of quality and quantity have to be countered and eliminated. The price has to do justice to both the consumers and the producers. It will do so when it covers costs and yields a moderate profit to the producer. Producers of necessities are obligated to supply their wares without interruption. They may not hold back such goods so as to extract higher profits. They have to offer such goods at prices which are fair in terms of their costs of production. They may not exploit the need of their customers so as to make more profit for themselves.

c) For *income distribution* resulting from the various forms of economic activity, the law which applies here is: *remuneration according to the value of the service provided*. The producer or dealer who sells his wares to cover his costs of production commands an income which, along with its modest profit, enables him to live according to his station-in-life; and, at the same time, it provides him with a return sufficient to cover depreciation, to expand, and to sustain production and the health of the enterprise. The profit motive of capitalism has to be replaced by the idea of producing to satisfy wants - where not only the needs of the producer are taken into account, but also the needs of society and of the economy (the maintenance of productive capacity, etc.). The amassing of exorbitant riches by certain individuals, which the profit motive makes possible, is out of touch with the destiny of temporal goods as well as with what is needed to preserve a healthy economy. Usurious extraction of obvious surplus value, as for example, the quick gains from speculation which have nothing at all to do with actual service to the purposes of the economy, these are to be rejected out of hand and countered in every way possible. Workers and salaried employees are likewise entitled to a fair remuneration for their services, including also enough to cover whatever costs that may involve (tools, etc.), but also a wage which is sufficient to support the worker and his family in a manner that conforms to his

position in the production process. This also involves the satisfaction of his higher cultural needs, beyond mere physical subsistence. If a decent human level of living establishes the lower limit for wages, this obviously assumes a real wage which will cover the price of the necessary means of support.¹¹⁴

d) Ultimately, there are *three regulating factors* in economic life: a) the conscience of the individual person. Without a solid moral fibre in people, there can be no question of a healthy economic fabric; b) autonomous occupational groups. The center of gravity in all regulation rests on them. They must represent not only the interests of their group, but their function has to involve service to the whole national economy. That includes safeguarding it against sharp practices on the part of their own members wherever that is possible. The occupational group is organized locally, regionally, and nationally. It reaches its peak in the national economic council, where it provides counsel to political leaders and those who make the laws of the land. c) The state, which, by its subsidiary, complementary, regulative activity protects the rights of individuals and of organizations as well as of the whole political community, and which serves to promote the general welfare as and when this is required.

51. Christian Solidarism or Christian Socialism? The social system of human work has been depicted here as a system which is solidly based and correct in itself, but which is also suited to our times, and superior to the traditional individualistic system and to communistic socialism. We would be happy if a recognition of the *reasonableness* of the social system of human work and of its *practical significance* for the welfare of people would lead to a proper appreciation also of the *Christian Weltanschauung* in which this system finds its firm support.

In Catholic circles there are various names given to this system, which is based on the idea of community. It has rightly been called *Christian Solidarism*. Others talk of *Christian socialism*. The term, *socialism*, has special appeal among the masses of the workers. They would gain a better understanding of it if we were to juxtapose a *genuine Christian socialism* to the *pervverted materialistic socialism*. Now the social system of industry also turns people once again into "*socii*" as understood in Christian moral, legal, and social philosophy. Anyone who harbors reservations about using the often misused word,

socialism here, and who fears that it will lead to confusion, may perhaps decide in favor of the expressions like "The Social Form of Christian National Community," etc. Such designations imply nothing different from what we have described here.

When we say that the social system of human work is rooted in a special way in the Christian *Weltanschauung*,¹¹⁵ that should not be misinterpreted. It is not the specific task of Christianity to contrive a kind of economic system. However, Christian teaching does tell a man what he should do and not do, and how he ought to conduct his life and his endeavors in all spheres of activity. A man's duties are not confined to his inner spiritual life. There are also social obligations which pertain to the individual members of society with regard to their occupations and walks-of-life; and there are also duties which those who are in positions of authority have toward society. We are talking about social or legal justice, and about distributive and commutative justice, and also about Christian charity as the highest social virtue. The entire body of Christian teaching on virtues has tremendous importance for the human community and in particular also for the national economy. Furthermore, we have a well-developed moral and social philosophy; and we have the encyclicals of the supreme pastors of the Christian Church.¹¹⁶ Thus we do not lack beacons which enable us to orient ourselves in the course of our economic investigation. A complete separation of economics and some *Weltanschauung* is simply not possible. Even those who advocate such a divorce are by that very fact themselves betraying that they are the captives their own particular *Weltanschauung*. Now we would like to insert here the beautiful and appropriate expression found in Fr. List's *Collected Works*:¹¹⁷ "There is no better proof of the divinity of the Christian religion than the fact that its teachings and promises are in total conformity with the material as well as the spiritual welfare of the human race." This *conformity* has to be taken into account by economists too, if they wish to approach their work without bias.

For Germany in particular, the return to Christian principles in social and economic life would at the same time be a return to its real self. Or is Christian solidarism something other than the consistent application of the genuine cooperative democratic style implicit in the German legal structure as reinforced by the Christian spirit, by which the idea of freedom took on a significant form, and from which the notion of national unity as a means to rally the peoples' energies derived its solid

foundation? What is quite opposed to the real German spirit is collectivistic socialism, with its state or societal absolutism. It is the appreciation of family, community, and tribe or, when carried over into economic life, the devotion to association, and that genuine German cooperative spirit which, as Gierke expressed it,¹¹⁸

has a way of fusing together all narrower organs of the state into a unified, single, vital structure where there is, at the same time, enough energy left over to generate an abundance of vital associations from the various components of the national fabric to serve the most universal, as well as the most special, purposes. And these are not motivated from above, but they arise from the grass roots. These narrower communities and associations appear to society overall to be special groups; but for their members they themselves serve as general communities which make it possible to reconcile a great, all-embracing state unit with genuine autonomous action on the part of truly free citizens.

Now, in conclusion, let us sum up the main ideas of solidarist doctrine in the form of a few watchwords: subsidiary support and powerful assistance from society, combined with purposeful and energetic self-help; - weakness is compensated and power is tempered; - some things are fettered, others are bound together: arbitrariness and self-seeking which are harmful to the community are fettered, while men are bound together in an economic working community; - harmonious cooperation for the fulfillment of the nation's economic purpose; - personal responsibility along with social responsibility; - wholesome striving to get ahead, in the place of brutal, cut-throat competition; - middle-course policies pursued by the state with a just balancing of interests between the urban and the agricultural sectors, and between consumers and producers, workers and employers; - avoidance of the fragmentation of society into two groups: rich and poor, along with the destruction of the middle class; - bolstering and increasing the ranks of the middle class; - the triumph of the unitive occupational group-sense over the divisive class feeling; - socialization of people rather than socialization of the means of production; - the formation of occupational groups in a form that is appropriate for our times; - orderly freedom, meaning no suppression of freedom by an unacceptable command economy, but also no freedom gone-wild;

- production that is geared to wants; - preservation of the national economy within the world economy; - no economic law of the jungle; - justice in trade and commerce; - exchange without taking advantage of others; - in income distribution, remuneration that is proportionate to the value of services performed; - justice and fair play toward all: the community as a whole, classes and groups, and also individual citizens; - special help and protection for the weak; - full realization of human, civil, and occupational solidarity for workers and on the part of the workers; - justice for workers, but also for their employers; - working community between workers and their employers; - legal regulation in labor relations, and conciliation to keep the peace, instead of class struggle; - solidarity among all people as representing a cultural community.

No imperialism with forceful or peaceful suppression and exploitation of foreign peoples and countries; - international policy which respects international law and the rights of others to enjoy natural development and their coming-of-age; - colonial policy without egotistical exclusivity and without arbitrary imperialistic domination, but also cultural advancement of the colonial population; - overcoming class and national rivalries by the higher bond of solidarity which binds all peoples; - healing, helping, reconciling charity coupled with justice, as the fulfillment and capstone which Christianity calls for, inasmuch as it regards every man as a brother and every nation as a member of the great family of God. - Those present in brief summary, once again, the most important basic requisites of Christian solidarism.

Communitistic socialism seeks to force the evolution of society into its system. The same is true of other plans and "planned economies" which have surfaced in our time. No system has succeeded in getting itself fully established. The same will be true of the solidarist system. We do not expect the future to bring with it some kind of full-fledged economic system. Yet, it is especially important right now that certain basic fundamentals are enunciated which may have an impact on what is to emerge out of the present circumstances, to the extent that we are able to influence what is to come. The solidaristic system of human industry esteems human labor above capital; it stresses the sense of community in its full extension as indicated above; and it points out the unity and the purpose of the national economy. It demonstrates the necessity for regulation of the economic process by social bodies, without doing away with private enterprise or any freedom which is

reconcilable with the common good, as well as its ambitious endeavor in accordance with the importance of its own particular services to the economy; and it proclaims the principle of justice in price determination and income formation, etc. The actual economic plan, however will not allow itself to be determined in some inalterable form and in every detail for the long run ahead. It must continually adapt itself to given internal and external conditions, while safeguarding the correct basic fundamental requirements. What is true of all policy, is true also for economic policy, namely, that it is the art of the possible. Briefly then: theory, by establishing systems, provides only the metal ingots. Minting them is and will always be the task of actual practice and of the practitioner. Theory provides the soul. Praxis builds up and develops the body.

Eugen von Philippovich says:¹¹⁹

We do not choose the objects of our science at random. We do so taking into account the purposes which they serve; and the *'wealth of the nation' represents the ultimate purpose of the economy*. All critical considerations of given economic conditions, whether they have to do with the organization of production, or the forms taken on by the exchange process or by the distribution mechanism, are measured in terms of their bearing on the wealth of the nation. All investigation of their development is related to the impact which changes have on the national wealth. The national economy as a means for determining the wealth of the nation or, if we chose to refer to this capability as *productivity*, the productivity of the national economy is *the real object of our science*.

Accordingly we now have to begin our economic investigations by developing the concept, "national wealth."¹²⁰

¹ What the poet says here about the city applies also to the state and to the national economy.

² *Arbeiten und nicht Verzweifeln*. Excerpts from his works by Kühn and Kretzschmar (1902) 31f.

³ Cf. Karl Wasserrab, *Sozialwissenschaft und soziale Frage*, an investigation of the concept "social" and his principal applications (1900); Ina Neundörfer, *Der Begriff "sozial,"* in the Cologne *Volkszeitung* LX (1919) 696, 5 Sept.; Stier-Somlo, *Sozialgesetzgebung* (at the beginning).

⁴ Vol. I, Chapter 4, §5, 414ff. (384ff.).

⁵ Theodor Meyer, *Arbeiterfrage* 31f.

⁶ Regarding this matter, see Vol. I, Chap. 2 §1,75ff. (70ff.); §4, 132 ff.(131ff.) 139ff. (138ff.); Chapter 3, §2, 159ff. (153ff.); Chapter 4, §5, 415ff. (384ff.).

⁷ Especially in the era of the territorial principalities during the mercantilist era.

⁸ Cf. *Gemeinwirtschaft. Grunzüge christl. Sozialauffassung* (1919) 12ff.

⁹ Cf. C. Noppel, "Die deutschen Sozialisierungsgesetze," in *Stimmen der Zeit*, XCVII (1919) 328ff.

¹⁰ *Gesetzentwurf über Betriebsräte* §15, #10.

¹¹ Regarding the division of the social organism into three levels, Cf. Rudolf Steiner, *Die Kernpunkte der sozialen Frage in den Lebensnotwendigkeiten der Gegenwart und Zukunft* (1919). Steiner's solution is freedom in the life of the spirit, equality at law, fraternity in economic life. Business life should be administered on an associative basis. Some of Steiner's ideas are close to ours. An actual division into three parts as Steiner envisions it will nevertheless be hard to put into actual practice, aside from what theoretical difficulties it may involve.

¹² Where the distinction is lacking between the motive and the norm, it is easy to fall into a kind of rigorism which makes virtually impossible a correct judgement of the moral legitimacy of self-love, and of self interest as a motive behind our dealings. E. Pfleiderer says (*Eine Kardinalfrage der Ethik*, in *Jahrbuch für protestant. Theologie* VI 206): "The most intensely opposed verdict where the criticism of ethical systems and of individual doctrines proclaims disapproval and deigns to express a definitive judgement of them, is, in fact, eudemonic." According to E.v. Hartmann (*Phänomenologie des sittlichen Bewusstseins* 51), "morality starts where the striving for individual happiness emanates in all of its forms." This confused view is traceable to Kant. He says: "The exact counteraction to the principle of morality is: when what involves one's own happiness is made the motivating factor for the will." (Cf. J.B. Becker, *Die moralische Beurteilung des Handelns aus Lust*, in the *Zeitschrift für Kathol. Theologie*, 26th year [1902] 462ff.).

¹³ As regards the concept, *organism*, Cf. Vol. I, Chapter 2, §4, 139ff).

¹⁴ Cf. Richard Passow, "*Kapitalismus*," *eine begrifflich-terminologische Studie* (1918).

¹⁵ The woe which Christ warned the rich about is not directed against legitimately acquired riches, but against avaricious and hard-hearted riches, in other words, against Mammonism. And such riches, or at least such insatiable greed, furthermore, is not found only among big capitalists and big estate owners, but, as recent times indicate, they are just as prominent among the working classes. Even the poorest dairy farmer's wife can be infected with it. The pointed rejection of such riches and desire for riches by Christ has to be understood in terms of the esteem expressed by Christ for ambitious effort and the requirement that what has been entrusted to one should be administered wisely and increased. - When there is talk about the "capitalism," the moralist will come to grips *especially* with the "capitalistic spirit" and "mammonism," whereas the economist will be concerned mainly about the *shortcomings of the economic system*.

¹⁶ *Zeitschrift für die gesamte Staatswissenschaft* (1887) 122.

¹⁷ In fact a far greater dignity which the Kantian autonomy assigns to it.

¹⁸ Vol. I *Grundlegung* 2ff.

¹⁹ G. Briefs, *Antikapitalismus schlechthin?* in *Kölnische Volkszeitung*, Nr. 590, 30 July 1919.

²⁰ Béla Földes holds the same view in his *Sozialökonomie* (*Téarsadelmi gazdaságtan*) I (1905).

²¹ "Capital, the possession of money, controls production....the highest possible rent for owners is decisive regarding location and the kind of work, regardless of consequences, and of the work and the hunger of the propertyless classes." See, for example, Robert Wilbrandt, *Die Weber der Gegenwart* (1906) 203; Lode and Schwiedland, *Das böhmische Schleiferland* (1907) etc.

²² A. M. Weiss, *Soziale Frage und soziale Ordnung* (1904) 349f. 385ff. Hitze, article: "Arbeiterfrage" in *Staatslexikon*.

²³ *Theoretische Grundlagen des Marxismus* (1905) 237.

²⁴ Kant, *Grundlegung der Metaphysik der Sitten*, published by Kirchmann (1897) 52.

²⁵ Bebel also, *Die Frau und der Sozialismus* (1891): "In its wealth distribution pattern society has become far more aristocratic than in during those earlier periods....but at the same time society has become far more democratic in its ideas and its laws."

²⁶ Costa-Rossetti, *Allgemeine Grundlagen der Nationalökonomie* 128.

²⁷ That is not the same as proclaiming the "right to the whole product of labor" as socialistic writers do. Cf. Vol. I: Chapter 4, §4, 317f. (295f.).

²⁸ This interpretation of the concept is similar to what is understood by "capitalism" in the Encyclical *Rerum Novarum*. Cf. Herder's edition of the encyclical 1,4,6,64. As August Oncken noted (*Geschichte der Nationalökonomie* I [1902] 23f.), "Economics has turned out to be the study of the *interests of the third* or *bourgeois* estate. Yet, the time when the bourgeoisie still had to fight for recognition and equal rights is over. Nowadays the task of the science must be instead to once again bring into the discussion the natural restraints on those interests (the bourgeois quest for riches and profit). Riches and profit are necessary factors in the social life of nations, but they are not all that there is. Woe to the nation which comes to believe that and to act accordingly."

²⁹ Schäffle, *Kapitalismus und Sozialismus* (1870) 2.

³⁰ That is the way that Saint-Simon, for example, also sees the indispensable metaphysical-religious basis of every social system in the sense of community, even though he does not have correct grasp of what is involved in this notion. With the confused principle of equality and universal brotherhood, etc. we do not come to terms with the true and comprehensive meaning of that. (Saint-Simon, *Nouveau christianisme* [1825]. L. v. Stein, *Sozialismus und Kommunismus* 174).

³¹ *Lebende Worte und Werke* (1902) 54f.

³² Vol. I: Chapter 4, §4, 323f. (301f.).

³³ Cf. on this matter Bernstein's judgement of this matter cited in Vol. I, chapter 4 §4. 377f.

³⁴ In fact, Marx limited his observations to English industry, especially the textile industry, and on the basis of these observations he constructed unreliable generalizations; nor did actual developments move along according to the Marxian view.

³⁵ Marx, *Das Kapital* (1890) 726ff.

³⁶ Chicago-London 1905.

³⁷ A.v. Schäffle, *Abriss der Soziologie* (1906) 131.

³⁸ Karl v. Vogelsang, *Soziale Lehren* arranged by Wiard Klopp (1904). 602ff. Cf. above, p. 177ff. Sismondi's critique of individualistic economics.

³⁹ Cf. Mehring, *Aus dem literarischen Nachlass von Marx, Engels, Lassalle I* 424.

⁴⁰ Thus, for example, Mariano Mariani, *Il fatto cooperativo nell'evoluzione sociale* (1906).

⁴¹ Cathrein, *Moralphilosophie I* (1899) 292ff.; II 448ff. 521ff. C. Willems, *Philosophia moralis* (1908) 360ff. Cf. also Franz Perlinger, on this subject, *Die Ideen der Lebensgemeinschaft im Universum*, in the *Korrespondenzblatt der Akademischen Piusvereine* 1906, Nr. 21,5ff.

⁴² Donoso Cortès, *Versuch über den Katholizismus, den Liberalismus und Sozialismus*; German by Reiching (1854) 152ff.

⁴³ Theodore Meyer, *Die Arbeiterfrage und die christlich-ethischen Sozialprinzipien* (1904) 31f. Georg Grupp, *Kulturgeschichte der römischen Kaiserzeit II* (1904) 379ff.

⁴⁴ *Organisierte Arbeit*, transl. by Hasse (1905).

⁴⁵ *Universus hic mundus una civitas est communis Deorum atque hominum existimanda* (Cicero).

⁴⁶ The family is the *foundation of the state*. In it we also find the five pillars of social life: religiosity, obedience, respect for authority, the willingness to sacrifice, and the sense of community (A.M. Weiss, *Soziale Frage und soziale Ordnung I* [1904] 463). The family is also an economic community so far as the enjoyment and consumption of goods is concerned, and often beyond that. Cf. §§ 1356,1360 of the B.G.B. - Richard Ehrenberg, *Die Familie in ihrer Bedeutung für das Volksleben* (1916).

⁴⁷ "Whether what I think and do is Christian, what do I care? Whether it is human, liberal, humane, or inhuman, illiberal, and inhumane, why do I concern myself? If it serves my purposes, and what I want, and if I find satisfaction in it, then, label it as you please, I do not care." That is the feeling of "some individuals," according to Max Stirner, - or even of many "individuals" in our time.

⁴⁸ Eisenhart, *Geschichte der Nationalökonomik* (1891) 135. Cf. also Robert Brunhuber, *Die heutige Sozialdemokratie* (1906) 72ff. 96ff.

⁴⁹ Cf. on this matter, Vol. I: Chapter 3, §3, 223ff. (206ff.).

⁵⁰ Andrew Carnegie, *The Gospel of Wealth*, in *North American Review* CLXXXIII, Nr. 4 (21 Sept. 1906) 526ff. *Das Evangelium des Reichthums*, transl. by P. Heubner (1907).

⁵¹ 2,2,q.32,a.5 ad 2; q.66,a.2 (corp.art.), a.7 (corp. art.); Com. in Pol. 2,l. 4,P.411. C. Engelbert Krebs, *Die katholische Kirche und die neue Wirtschaftsordnung*, in *Deutsche Arbeit* IV (1919) 496ff.

⁵² As opposed to the liberal-individualistic theory on personal interests and insurance, which views taxes merely as repayment for state services or like insurance premiums paid to have the state protect one's property. Cf. Lechtape, *Steuergerechtigkeit* (1919).

⁵³ Cf. Wilh. Neurath, *Elemente der Volkswirtschaftslehre* (1896) 412ff.

⁵⁴ Those who urge the "free enterprise economy" as opposed to the "controlled planned economy" are often as not forced in our times to place limits on what they propose, and therefore to once again recognize the principle of the limitation of freedom. J. Reichert (*Rettung aus der Valutanot* [1919],) for example, called for free price determination in domestic markets, but planned regulation for foreign trade (minimum prices on exports, and maximum prices on imports).

⁵⁵ When the extension of the "communal economy" was proposed by economists (Wagner among others) what they had in mind was state or community economic units which would exist side-by-side with the autonomous private economic units without absorbing these.

⁵⁶ Cf. Vol. I: Chap. 4, § 4, 333ff (309ff.).

⁵⁷ *Neue Zeit* XVI, 749.

⁵⁸ *Moralphilosophie* II (1911) 529.

⁵⁹ If the unemployed, who are capable of working turn to the state for help, it is justified in providing work for them. Cf. also for a discussion of this problem in broader terms, Theodor Brauer, *Das Recht auf Arbeit* (1919).

⁶⁰ Cf. Vol. I: Chap. 3, §2, 165ff. (157ff.).

⁶¹ Kleinwachter cites as grounds for the the satisfaction of wants through community compulsion (*Lehrbuch der Nationalökonomie* [1902] 19ff.: "1. the universal nature of the wants; 2. the impossibility of making provision for common wants in any other way; 3. where the public is endangered by individual actions."

⁶² Karl Oskar v. Soden, *Ausgangspunkte und Wege der Sozialisierung*, in *Deutsche Arbeit* IV (1919) 251ff. 295ff.

⁶³ *System der politischen Ökonomie* III 368.

⁶⁴ Cf. K.O. v. Soden, *Die Bodenfrage* in *Soziale Kultur* XXXVII (1917) 637ff.

⁶⁵ Issue of 15 August 1919.

⁶⁶ More about this in Vol. I: Chap. 2, §10, 361ff. Cf. also a brief discussion by Schwiedland, *Der industrielle Zusammenschluss*, in *Soziale Kultur* XXXVII (1917) 276ff.

⁶⁷ *Die Arbeitsgemeinschaft der selbstständigen Handwerker*, in *Soziale Kultur* XXXVII (1917) 604ff. As a separate and enlarged edition in 1919.

⁶⁸ Cf. Paul Beusch, *Grundsätzliches zur Frage der Staatsmonopole*, in *Soziale Kultur*, XXXVII (1917) 154ff.

⁶⁹ Kautsky said at the Berlin Congress of Soviets (April 1919): "The call for immediate, complete socialization is nothing more than a slogan."

⁷⁰ The objection which is generally raised to state monopolies to the effect that the operations become cumbersome, the technical progress is impeded, that there is a lack of business-like spirit, does not apply to all state operations alike. One has to investigate in each case whether the particular operation is amenable to socialization. Thus, for example, the monopolization of the important machine industry would scarcely be possible without impeding technical progress.

⁷¹ Recommended by Leo XIII, in the encyclical *Rerum Novarum*.

⁷² Cf. Alois Wurm, *Das Recht auf ein Existenzminimum*, in *Soziale Kultur* XXXVII (1917) 601ff.

⁷³ Developed in this way in a long forgotten work by Nibler, *Der Staat aus dem Organismus des Universums* (1805). The philosophical viewpoint of Nibler is not being taken into account here.

⁷⁴ "Einige Bemerkungen zur Lehre von der Sozialisierung," in *Schmoller's Jahrbuch* XLII (1919) 437ff.

⁷⁵ Cf. in this matter also Heinrich Lübbering, *Berufsständische Gemeinschaftsarbeit* (1919). For the retail trade, conditions are a bit more complex. Yet even there a trend toward occupational organization appears to be emerging (*Reichsbund deutscher Textildetaillistenverbände*).

⁷⁶ *System der politischen Ökonomie* III (1908) 345f. Cf. our Vol. III, Chap. 3, §1m 424ff.

⁷⁷ Cf. Walter Rathenau, *Die neue Wirtschaft* (1918). Also Karl v. Tyszka, *Die Sozialisierung des Wirtschaftslebens* (1919). An especially critical rejection of Rathenau by Walter Lambach, *Diktator Rathenau* (1918).

⁷⁸ "We do not wish to do away with the entrepreneur, but to work together with them. Both workers and entrepreneurs are necessary and work together for the desired outcome." That is the view which prevails in reasonable worker circles, as expressed in the address of Heinr. Imbusch before the 15th General Assembly of the Union of Christian Mine Workers (August 1919). Such circles recognize that the advancement and improvement of industry is not only the business of the employer, but also of the workers. Cf. also in this connection Theod. Brauer, *Gewerkschaft und Volkswirtschaft* (1912). The rise of German industry before the World War would have been impossible without the far-sighted captains-of-industry, but also without a very high-minded working class. H. Schuhmacher (*Unternehmertum und Sozialismus*, in *Schmoller's Jahrbuch* XLII (1919) 405ff), "The entrepreneur knew how to make an effective working organism out of skilled, semi-skilled, and unskilled workers; and a not insignificant part of the results of our high quality industry is traceable to their shining example of cooperation. It was not in the material means of production that the superiority of our German industry distinguished itself in so many ways; in those, there are only slight differences among developed industrial countries in a period of free trade. The use of the technical apparatus was, however, better understood and effective; and that is to be explained, aside from the far-sighted and purposeful management by entrepreneurs, also by the training and discipline of the German workers, with whose help we shall also be able to carve out for ourselves the kind of status which we deserve in the future. "

⁷⁹ August Pieper, *Das Problem der Einordnung der Arbeiterbewegung in die Gesellschaft*, in *Soziale Kultur*, Year 26 (1906), 114ff. Also H. Koch, S. J., *Die Gleichstellung von Arbeitgeber und Arbeitnehmer in der Grossindustrie*, in *Stimmen aus Maria-Laach* LXIX (1905) 253 ff 374ff. Heinrich Herkner, *Die Arbeiterfrage* 499 ff., Franz Hitze, *Arbeiterfrage*.

⁸⁰ Sismondi, *Études sur les sciences sociales* II, éd. Bruxelles 1838, 185f.

⁸¹ Bourguin, *Die sozialistischen Systeme und die wirtschaftliche Entwicklung*; transl by L. Katzenstein (1906) 392f. H. Sierp, *Demokratie und Weltanschauung* (Nr. 7 of the pamphlets of *Stimmen de Zeit* 1919).

⁸² To be sure, that is not the same as saying that the operation of factories will develop from absolutism to constitution, and then beyond that from constitution to democracy (as in the producer cooperative). The word "democracy" can be used in various ways, and democracy itself can take on various forms. What is involved here is this, in particular: industrial subjects are to be turned into "industrial citizens," who will have an important part to play in determining their wages and working conditions. (Naumann).

⁸³ Karl Ballod in *Schmollers Jahrbüchern* XXXI (1907) 501.

⁸⁴ *Christentum und Klassenkampf*, in *Monatschrift für christliche Sozialreform*, XXVIII (1906) 651 f. A.1. (separate in 4 editions 1919).

⁸⁵ *Ibid.* 655f.

⁸⁶ v. Berlepsch, *Tarifverträge*, in *Soziale Praxis* XVII (1908) Nr. 42. Cf. *Das deutsche Buchdruckergewerbe, seine Organisations-, Arbeits-, Lohn- und Preserverhältnisse* (1908) etc. etc.

⁸⁷ John J. Ming, S. J., *The Characteristics and the Religion of Modern Socialism* (1908).

⁸⁸ Cf. Eugen v. Philippovich, *Individuelle Verantwortlichkeit und gegenseitige Hilfe im Wirtschaftsleben*. Chancellor's address of 1905.

⁸⁹ Max v. Schraut, *Die persönliche Freiheit in der Volkswirtschaft* (1907).

⁹⁰ Ad. Wagner, *Grundlegung* 813ff.

⁹¹ Cf. on this matter also Julius Bachem in *Staatslexikon der Görres-Gesellschaft* V, 1115, and in *Soziale Kultur* XXVI (1906) 810 ff. about §826 of the B.G.B.; also F. Baungarten and A. Mezlény, *Kartelle und Trusts* (1906) 353.

⁹² Louis Blanc.

⁹³ Ashley, *English Economic History* II (1896) 175. "The endeavor" (which prevailed in the old guilds), "the production and the commerce in goods with the general welfare in mind should serve as the exemplary model for our present day economists."

⁹⁴ Vol. I: Chap. 5, §1, 452ff. (405ff.).

⁹⁵ With regard to economic independence or the lack of it, the following figures provide us with information:

Pre-war Germany: imports of food came to 2.76 billion Marks; exports came to 1.04 billion marks. Import surplus: 1.72 billion marks. Per capita this came to 15.2 marks.

England: food imports came to 5.80 billion marks; exports: 0.65 billion marks. Surplus of imports over exports: 5.15 billion marks. Per capita, 110.5 marks.

France: food imports came to 1.53 billion marks; exports: .67 billion. Surplus of imports over exports: .86 billion marks. Per capita: 21.7 marks.

⁹⁶ A. Marshall, *Principles of Economics* (4th edition) 1905 (German) by Ephraim and Salz (1905) 6. An English author, B.H. Thwaite (*The Rise of Germany 1870-1905*) [1905] 23), refers to the difference between freedom and freedom, when he compares Germany and England. "It is all the difference between cosmos and chaos, and between responsible and irresponsible liberty." That applies to the services rendered by German reform efforts.

⁹⁷ *Gegenseitige Hilfe in der Tier- und Menschenwelt*; transl. by Landauer (1908).

⁹⁸ Friedrich Pilgram, Essay in the *Arbeiterpräses* (Berlin), published by Fleischer I 295ff.

⁹⁹ Cf. Franz Hamm, *Zur Grundlegung und Geschichte der Steuermoral* (1908).

¹⁰⁰ *Christliche Volkswirtschaftslehre* I (1907) 2. In the same vein, Hitze, article "Arbeiterfrage" in *Staatslexikon der Görres-Gesellschaft*; Walter in *Sozialpolitik und Moral*; C. Willems, *Philosophia Moralis* (1908) 556ff. B. Duhr, *Der Dekalog "die Grundlage der Kultur"* (Nr. 10 of *Stimmen der Zeit* pamphlets, 1919).

¹⁰¹ The words of an educator in "Germania" Nr. 119, 15 March 1919.

¹⁰² Even the "materialistic interpretation of history" is essentially just Feuerbach mixed with Hegel. Inasmuch as it makes what is economic ultimately to be the determining factor also in the intellectual order, it has chained social democracy irretrievably to materialism, so that the way to real understanding of the truth has been blocked.

¹⁰³ *Soziale Ideen*, in *Deutsche Arbeit* IV (1919) 320. This understanding of the matter is also found among some social democrats. Cf., for example, Hans Müller, *Das religiöse Moment in der sozialistischen Bewegung*, in *Sozialist. Monatshefte* XIV (1910) Vol. XXIII, 1665ff. More recently there are more and more voices raised which would like to make the connection of socialism with materialism a chance rather than essential thing. A Marxian interpretation which still predominates among the masses, it is definitely not.

¹⁰⁴ Ch. Antoine, *Cours d'Économie Sociale* (1908) 120 ff. Karl Kiefer, *Die Tugend der ausgleichenden Gerechtigkeit unter besonderer Berücksichtigung des Bürgerlichen Gesetzbuches* (1905). The works of Lehmkuhl, Cathrein, Meyers, Mausbach, and Scheler.

¹⁰⁵ E.g. the state when it is acting simply as cashier for its treasury.

¹⁰⁶ *Werke* I, 2nd Part, 541.

¹⁰⁷ *Politische Ökonomie* (1883) 241. Roscher, *Grundlagen* §§ 11,12. Kautz, *Die Nationalökonomie als Wissenschaft* (1858) 167.

¹⁰⁸ Regarding "equity law," see Cathrein, *Moralphilosophie* I (1911) 595; *Billigkeit und Recht*, in *Archiv für Rechts- und Wirtschaftsphilosophie* IV (1910) 595.

¹⁰⁹ Cf. St. Thomas, *Comment. in Arist. Politic.* 1. 1, lect. 4. Suarez, *De Virtute theol.* d. 7, p. 8. Cf. also La Tour Du Pin, *Vers un ordre Chrétien* (1907) 105f. Ch. Antoine, *Cours d'Économie Sociale* 135f.

¹¹⁰ The social ideal which Stammerer formulates in the proposition: "A community of individuals with free wills, among whom each makes the objectively legitimate purposes of his fellow man his own," can in any case only gain by suitable proximate provisions and complementarity.

¹¹¹ St. Thom., *Contra Gent.* 1. 3, c.30.

¹¹² Cf. E. Burlage, *Friedensvereine zur Schlichtung von Rechtsstreitigkeiten*, in *Soziale Tagesfragen*, published by the Volksverein für katholische Deutschland (1907) Vol. 35.

¹¹³ So said Benedict XV in his Allocution of 3 July 1919. "We all stand on the foundation of equal human dignity," Balthasar Wilhelm warned in *Stimmen der Zeit* (XLIX [1919] 419), "and we quietly form one huge league, whose name is humanity, whose members are our fellow men, and whose symbol is the human countenance! Love is the membership fee, and love is what everyone receives in return! Arise, then Brothers, let us close our ranks and let us carry on our journey with determination, not with clenched fists, but with joined hands: we earthly pilgrims - we human beings!"

¹¹⁴ Cf. in this matter, Th. Brauer, *Bodenfrage und Arbeiterinteresse* (1916) and *Vom Reallohn*, in *Deutsche Arbeit*, February 1917.

¹¹⁵ G. Garriguet, *La valeur de l'Évangile* (1909).

¹¹⁶ Messmer, *Katholizismus und Revolution* (1919).

¹¹⁷ *Das nationale System* (published by Häusser, 1851) 133 notation.

¹¹⁸ *Das deutsche Genossenschaftsrecht* I (1868) 3.

¹¹⁹ In his address before the *General Assembly of the Association for Social Policy* in Vienna in 1909, about the "*Wesen der volkswirtschaftlichen Produktivität*", in publications of the *Verein für Sozialpolitik* CXXII (1910) 358.

¹²⁰ Philippovich supported that, since he said (*op. cit.*): "It is right that most recently Pesch, in his general economics textbook placed the essence and the bases of the national wealth in the foreground of his presentation.

Excerpt 5

MODERN OCCUPATIONAL ORGANIZATIONS

Translator's Commentary. This portion from volume III of the *Lehrbuch* is included mainly to end once and for all a persistent criticism by those who, having never been exposed to the actual writings of Heinrich Pesch, insinuate that he proposed the impossible: a return to medieval society and the guild. What he proposed, in reality, was a restoration of the spirit which informed the guild structure while it was still at its vigorous best level: solidarity among those who work at the same occupation or in the same industry, with ongoing deference to the overall common good. He indicated clearly that this must be adapted to the post-medieval, industrial structure of modern society. Most characteristic of Pesch's thinking was his insistence that Christian conviction, in particular the virtues of justice and charity, had to provide the fertile seed-bed for any such development.

What are referred to throughout these translations as *occupational organizations* are an integral component of the solidaristic system of human work proposed by Pesch. They are referred to variously in translations of the Latin - *ordines* - in the Pius XI encyclical *Quadragesimo Anno*, as corporate organizations, vocational orders, or functional groups.

§1. The Forms of Occupational Organization in General

1. The Corporative Regime of Earlier Times Compared with Present-day Occupational Organization.

What was characteristic, more than anything else, of the corporative regimes of the Middle Ages was the religious basis for such combinations, their compulsory nature, and finally, the comprehensive scope of their functions. Thus, within the social order they guaranteed to the organized members of an occupation or vocation, their status, their proper position corresponding with their importance and service to the whole of society. Also, within their economic area of operation, by their combined power they provided for the members of the same occupation, order, care, and the advancement of their economic activity and their economic interests by regulating their training, controlling competition, and by mutual assistance, etc. And finally, in the political order they emerged as the public, legal organs for legislative and judicial functions, for official representation of interests in dealings with public authorities.

What is lacking to a large extent in modern occupational organizations is the underlying religious basis which informed the medieval guilds. The guild was at the same time a fraternity. Today religious unity is lacking. Confessional divisions and growing unbelief have robbed the occupational organization completely of its common religious conviction.

Now compulsion is still well-known in the area of occupational organization in the present era. However, there is along with that a great abundance of voluntary structures. And where compulsion does emerge, it is less dominant and comprehensive. It has to do with admission to membership, the payment of dues, and other matters; but, on the other hand, it allows a large area of free play for the individual in the conduct of business affairs.

The individual is not totally absorbed in these modern organizations, and he is not fully involved by them in all of his endeavors, as was the case in the occupational organizations of the Middle Ages. The tasks of the organizations are more narrowly circumscribed, and in their forms they are even restricted to specified purposes, e.g., in the area of economic policy.... (Vol. III, pp. 501-502)

§2. The Guild of the Middle Ages in Retrospect

1. What a Look Back at the Medieval Guild System Can Teach us. We need not get involved in a comprehensive discussion of the guild system here. We shall call attention only to certain aspects of it which are of some importance for a proper understanding and evaluation of modern organizational trends.

We see here the rise of the occupational organization, its development to its full potential and capacity, and then its decline and disappearance - the entire development process in all of its phases, the conditions and causes of its full flowering and of its decline. That indicates how the ideals of association come to be realized, and how they are always confronted with struggle and great difficulty; how social forms are conditioned and determined in their appearance, growth, and disappearance not by mere wishes and desires, but far more so by the conduct, the virtues, and the failings of those who are directly involved, and no less by extrinsic social, political, economic, and technical circumstances and their modifications. We shall see how the highly touted guild system was by no means all light and sunshine, and that it was also marked by a shadow side and by failures. As Schwer said,¹

Given the results of present-day scientific investigation, there can no longer be any real doubt but that the craftsmen of the Middle Ages did not experience these as 'golden days' which are often viewed with a kind of nostalgia, that the age also had its 'social problem,' that it was not spared its difficult internal struggles and shocks; and finally, that the overall medieval handicraft and guild structure, in which we are justified in praising the ideal of occupational functioning with a harmonious working together of all of the parties involved, was still only able to survive at its best for a relatively short period of time, and that, in fact, the seed of its decay, which subsequent external forces then hastened, were already present from the start.

All of that does not add up to proof that the original organizational principle was not a good one in itself. It merely safeguards us from overestimating some particular historical form of organization; and it makes us aware of errors which are to be avoided in developing present-day organizational structures, and it prevents us from indiscriminately

trying to transfer structures of bygone days into the completely altered circumstances of the present. (Vol. III, pp. 511-512)

6. The Fate of the Guild in the Liberal EraThere are certain universal truths in which it is easy to arrive at a consensus, no matter how much opinions may vary with regard to other matters. Accordingly, all will agree that, prescindng from the constant natural conditions (like climate, soil fertility, etc.), the national economy will never find itself in a state of absolute rest, or of an unchanging equilibrium.² In one way or another, sometimes to a greater and sometimes to a lesser degree, by intrinsic and extrinsic causes, by the natural growth of population, by new technology, new methods of production, expanded commerce, new markets, changes in the world of ideas, in law, in politics, etc., there will be changes and modifications time and again. And we may also be prepared to agree that what is to be preferred is a quiet adaptation to the new situation without sudden, drastic changes of the traditional picture of the economy, and without a revolutionary breach of continuity in development. But if we apply these universal truths to the special case of the abolition of the guild system during the liberal era, then what we hear begins to sound quite different. Some see in the radical restructuring only the natural process of historical development. They point to a new mode of operating based on greater distances and wider networks of relationships, also to large-scale enterprise with its far-flung markets, and to the expansion of commercial relationships in the national economy and in the world economy, etc. However, there are others who, despite everything, without denying the degree of progress in the "capitalistic era," prefer to see in the eventual annihilation of forms of social organization and in a revolutionary destruction of the traditional forms a serious mistake, whereas an altering and progressive modification of society would have brought about a slower but more lasting and assured progress. In any case, the subjugation of labor as characterized in the "capitalistic era" was allowed free rein, inasmuch as there were now only individuals facing other individuals in the economic field of battle.

Bruder said,³

One cannot repeat too often that it was not the technical changes of the modern age which destroyed the older principle of organization. It was the incapacity, stemming

from the loss of the sense of rights in the old German juridical organization of labor, to extend itself in keeping with technical changes, machines, and large-scale enterprise. It was like the anger of the child who hits the table which it ran into, if we try to blame the discoveries that were useful to all, for the decline of the Christian-Germanic law of work. A correct history of law will, we hope, prove that there were other reasons. The repression of those canon laws which honored labor, the loss of zeal in the battle against unearned profit, the development of a new sense of law which regarded property in the same egotistical manner as the Romans had done, which was not moderated by any Christian input, but which was prepared to use one's fellow man - all of this will serve more than it has until now to explain the decline of honor that goes along with work. 'The departure from the canonical principles prepared the way for the ruination of the working human person; it created the proletariat of the modern age' (Janssen). Let us suppose that the corporation of tradesmen had pressed those labor-saving arrangements and machines into its service in its former, more generous manner, then the modern rift between entrepreneurs and workers which causes us so many problems would probably have been averted. The widely observed Christian Sundays and holy days, the custom of the *Angelus* in honor of Our Lady, assured proper rest and a guaranteed kind of normal workday. The ability to bear arms, the concept of honor, political voting rights of the old guilds provided for these the same honorable and influential status which in the modern age has become far too exclusively the province of capital as being the leader and guide for all work, in fact of loan capital (the banking system) as the governess of enterprises. The status of the modern worker as a worker is his lifelong occupation, and no longer (as was generally true during the Middle Ages) a stage on the way to greater independence. Now, on the contrary, the modern worker is probably faced with the prospect that things will get worse for him as he gets older. The anti-proletarian secret in German law consisted in the fact that, as much as possible, everyone was obliged to work, while, on the one hand, not acknowledging any ownership that was not associated with work, and on the other hand, seeing that every worker had what materials and tools he needed for his work. As the Christian element

disappeared more and more from the juridical order, with the rising acceptance of egotism (economic self-interest) as being an adequate motive force in the economic process, the old wholesome mix of labor and property lost its grip. On the one side, ownership became a mere sum of powers without any corresponding obligations toward society. On the other hand, we observe a constantly growing segment of the nation in the position of propertyless labor, of being mere workers. The much praised 'freedom of labor,' i.e., the capacity of every person to work at what suits him best, does not protect him from exploitation and poverty.

Even someone who still hesitates to agree with this description could nevertheless agree with Schmoller, at least when he says: "The guild was a haven of freedom in the great battle in world history between labor and ownership, but it was the type which served best the kind of work associated with a small amount of capital."

A look back at the time of the guilds prevents us not only from underestimating the religious influence on economic life, but also from overestimating it. Urban economic policies and the guild structure were filled with the Christian spirit during the Middle Ages. The sense of community, civil and occupational solidarity, came into practical application during the time of the guilds. The quest for gain found its limits in the notion of being provided for according to one's station in life. But as indicated, we should not overlook the fact that there were also some entirely different natural and historical factors at work in the structuring of the economy. As the isolation of the cities in the medieval economy was later broken by surplus population growth, and as the space needed for expanded commercial activity was acquired, and as technology developed and new lucrative opportunities presented themselves when overseas discoveries were made, the economy was gradually brought out of its medieval isolation and restrictions into the early capitalistic era even before Protestantism and its aftermath made their influence felt. It is misleading to link the "Catholic spirit" to the medieval economy, and to represent it as being other-worldly, ascetic, dominated by the "monkish" idea of self-sufficiency, while contrasting it with Calvinism which supposedly "canonizes the here and now" as being the father of triumphant capitalism (M. Weber). Catholicism offers the world no economic system; and it is not tied to any one particular economic structure; nor does it bind one to some particular

economic system. Its spirit, which involves its ethical imperatives, its exalted concept of personality and of labor, its support for the social concept of vocation and for the social virtues of justice and charity can and ought to find application in every economic system and structure. And to the degree that these find application, the negative aspects of the prevailing economic system will more or less retreat to the background, while its restructuring and further development in the direction of fulfilling the economic task - providing for the material welfare of the entire nation - will be influenced in a positive manner. However, it is up to the people who must promote Christianity and see to it that it has that kind of influence in economic life. That is why the proper program for our time is not a return to the medieval guilds, but a return to the eternal laws of Christianity, to the Christian spirit which operated so beneficially during the Catholic Middle Ages because it was left to operate without hindrance. Therefore, what is needed is *Christianization of the economy through the Christianization of people*, by propagating and reaffirming Christian convictions and the Christian will, in the face of whatever difficulties stand vigorously opposed to Christianity in the prevailing economic system, especially today!⁴ (Vol III, pp. 544-547)

¹ *Zur socialen Lage der Handwerksgeßellen im Mittelalter*, in *Soziale Revue* VIII (1908) 342ff.

² Cf. Jos. Schumpeter, *Über das Wesen der Wirtschaftskrisen*, in *Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung* XIX (1910) 271ff.

³ Art. "Arbeit," in *Staatslexikon der Görres-Gesellschaft* I, 270ff.

⁴ Cf. Gustav Gundlach, *Zur Christianisierung unseres Wirtschaftslebens*, in *Stimmen der Zeit* 109, 4 (1925) 268ff.

Excerpt 6

EQUIVALENCE AND JUST PRICING

Translator's Commentary. The excerpts on just pricing, the just wage, and usury from Volume V of the *Lehrbuch* are included because they deal with matters that are quintessential to Pesch's Solidaristic System. They involve the application of the cardinal virtue of justice at pivotal points in the economy. The *principle of equivalence* is crucial to his application of justice in price analysis as well as throughout the income determination and distribution process.

14. Market Price and the Principle of Equivalence. The principle of equivalence (payment of equal value) is the dominant factor in the entire exchange process. There is a difference in the estimation of goods for exchanging and for one's own use. The exchanging parties evaluate the individual use values of goods variously. However, in the actual exchange they operate on the basis of equal value. They realize this equal value if they observe the market value, always assuming that the effective price represents a reliable expression of the actual exchange value of a good as determined by a general estimation of its value. If someone wants to charge more than the market price, you would be going beyond an exchange transaction, and gift-giving would be involved. The buyer would, in fact, have other opportunities to buy the good at the market price. On the other hand, a seller would not, as a

rule, be prepared to give up the good below the market price which one could normally command for the good. But now, how is the undeniable and legitimate right of the contracting parties to profit by the exchange fulfilled if the principle of equivalence prevails in the exchange transaction, so that only equal values are exchanged?

The solution to this problem was suggested earlier. We said: the motive for the exchange - and it explains the psychology and the rationale for the exchange act - is the desire on the part of the exchanging parties to profit from the exchange. Both parties, buyers and seller, hope to gain by the transaction. The gain lies in the fact that the use value of the good gotten by each party is higher than the use value which each is prepared to give in exchange. What it does not consist in is the giving up of a lower exchange value than one will get in return, thus victimizing the other party. Such things may often occur, but it is by no means a "law" of exchange. The value differentials of exchanged goods - by virtue of which each party can gain - is the utility of the good exchanged for the particular individual situations in which the trading parties find themselves. Neither of them wishes knowingly or by force to suffer a loss of a part of his wealth by getting a lesser exchange value for a greater one. Income derived from fleecing the other party belongs to the dubious category of exploitative income.

Thus, for the determination of the prices of goods which are generally useful, the decisive factor basically is not the particular individual circumstances - the *indigentia particularis* - or the subjective valuation on the part of the individual, but the *indigentia communis* on which the general estimation is based. Rich and poor buy grain at the same price, even though their individual circumstances vary. The poor man feels the expenditure of 100 marks quite differently than the rich man. But in the exchange transaction, 100 marks are, as a matter of fact, 100 marks - no more, no less.

But the good which I sell to another does actually have more value for him than the good which he gives up in exchange. Therefore I do not hurt him if I charge a higher price for that good because it has a higher value for him. Thus, the acquisitive principle finds its defenders. The solution to the difficulty lies in the fact that in an exchange transaction and for price determination, it is not individual use value, but the generally recognized value which is decisive; and that is as it should be. The net gain in individual use value which I derive from the

good that I get in exchange arises, in fact, from the individual circumstances in which the recipient finds himself; it is relative to the trading parties, not to the object that is being exchanged and what it does for me. The object of the exchange is the good appraised according to its exchange value, and this is based on the *indigentia communis* which comes from the generalized estimation of value - the utility and the availability of the goods available for exchange. That, as we have said, finds its objective expression in the market price.

In what sense are we able to say that a profit can be derived by the fact of the contract itself, and from the contract, to the benefit of the contracting parties without violating the principle of equivalence, the universal law of price, without usurious exploitation?

That difficulty too has already been resolved by what was said earlier. By the transaction each of the trading parties strives to get a good with higher individual use value as he measures the good's value, than he is prepared to give up in exchange to the other party. Thus, the principle of equivalence is not violated. A violation of equivalence would occur only if one party would try to gain or acquire value by the contract that is obviously greater than the exchange value of the object exchanged, thus inflicting loss on the other party to the contract. That would be usury.

Equivalence does not abolish the objective desire for gain based on economic performance; and, in fact, it allows great latitude in the quest for gain even though it does not permit any absolute, unregulated free play. The difference in the individual use values of things exchanged, of which we have spoken, already represents gain for the trading parties; and it also opens up broad possibilities for gain by other kinds of transactions, by resale, by the use of indirectly useful goods for production, etc. In any case, the main source of profit is astuteness in business, which knows how to exploit differences in price in different times and places, and from the change in prices in a given place, as well as fluctuations in business conditions, and which knows how to render services by improving technology, by expanding production, by sizing up demands whose exchange value exceeds by a considerable degree their cost of production. (Vol. V, pp. 41-43)

§ 5. THE IDEA OF THE JUST PRICE

Translator's Commentary. Although the mention of "just price" frequently triggers a prevalent cynicism about such matters in our time, it is a rare person indeed who has not at some time objected to a price which someone charged or tried to charge as blatantly "unfair" or "outrageous." Now the Scholastic doctors who dealt with this problem many centuries ago were not by any means economists or advisors to their rulers on economic matters. They were, in the main, moralists and theologians trying to develop norms for confessors and businessmen faced with the problem of charging fair prices. In the process, they came up with some remarkably astute analysis which prompted the renowned economist, Joseph Schumpeter, to state that, "...it is they who come nearer than does any other group to having been the 'founders' of scientific economics." (*History of Economic Analysis*, p. 97) Indeed, one finds in their works concepts which it took modern economics several centuries to "rediscover," like the time preference and the marginal utility concepts, both of which they applied in their 13th century value-price analysis.

Another leading contemporary economist, John Kenneth Galbraith, in his introspective work on economic thought lamented the fact that the Schoolmen, including St. Thomas, never resolved the problem of the just price, "at least in any usefully secular way." (*Economics in Perspective*, p.26.) Perhaps no economist in our time perceived the need for a resolution of this matter more keenly than this morally sensitive man. It was he who was entrusted with the staggering task of establishing official prices in the United States during World War II, when the normal pricing apparatus could not be depended on to operate equitably for all citizens in the face of wartime shortages. Furthermore, even during normal peacetime conditions, Galbraith would not, given his particular ideological cast of mind, expect such fairness to be the "automatic" result of the workings of the "free market."

Pesch, of course, was never one to place naive reliance on the "free market" to generate just prices. While characteristically following the price analysis of the medieval Schoolmen, he also took the opportunity to inject his favorite structure here once again - the occupational organization (his designated successor of the medieval guild) - as being in a position to play a role in arriving at fair prices.

The question remains whether St. Thomas, along with the other Scholastics, and Pesch resolved this matter in a "usefully secular way." It is left to the reader to judge whether they did, in fact, provide practitioners with adequate guidelines for arriving at the just price. In doing so, what needs to be taken into account is the flexibility allowed between a maximum price (*pretium maximum*), and a minimum price (*pretium infimum*), along with the call for a market consensus to establish the actual price within those limits, and also the provision that the just price must nevertheless cover the work and other expenses involved in production. At the same time we need to bear in mind that Pesch and the Scholastics accepted the legitimacy and role of profit in economic life, but as the reward for astute business management, or even as the result of chance occurrences, but never from unfair pricing.

1. Just Price, Science, and Public Opinion. It is not only theologians, moral philosophers, and economists who talk about a *just price*. The notion is current in everyday life where there is talk of just and unjust prices, of prices which are too high or too low, often without any awareness of the complexity which such expressions imply. In general, when speaking of a price as being unjust, one infers that the price asked or paid is out of line with the value of the good being offered in exchange, or that it does not correspond to the labor and material costs incurred in providing the good. What is frequently involved, therefore, is the notion that the transaction in which the unjust price is being charged or paid is based on misinformation, or on the exploitation of ignorance or need: in other words, where one party is really not truly free. Often the complaints about a price being unfair are lodged by persons who are disappointed because they hoped for better prices based on their own subjective expectations.

A problem which is of such concern in everyday life as the question of the just price is not one to which the economic science can remain indifferent. Thus we see how the great thinkers of antiquity, and how, in an especially expert manner, the scientifically heroic figures of the Middle Ages dealt with justice in exchange transactions.

2. The Just Price as Viewed in Ancient Times. Exponents of both "subjective" as well as of "objective" value theories have appealed to Aristotle. In fact, there have even been suggestions

that some aspects of the marginal utility theory of value can be traced to him. What concerns us here above all is the fact that Aristotle insisted on the equality of exchange values in exchange transactions. Controversy continues regarding whether one could already find in Aristotle the notion of exchange justice, meaning compensation for labor and other costs.¹

Plato² called for the establishment of true value by the state with the advice of experts (public regulation of food prices). He left us in the dark about the nature of this true value.

There is also no actual value theory in patristic literature.³ Augustine⁴ pointed out that in exchanging things, these are not valued on the basis of their natural ranking - as a living thing, a mouse ranks higher than grain - but according to their relationship to human needs. He regarded exchange value as value that was the same for all who engaged in the exchange transaction, and as establishing value for one and all. He called upon parties in an exchange transaction to be willing to pay a just price and to avoid all attempts to profit unduly from the transaction. What constituted the *iustum pretium* and determined its level, he did not examine further.

According to Roman law the exchange contract was completely free; and justice in exchange was not required. Under Diocletian, the principle of freedom in exchange was restricted to the degree that if there was *laesio enormis* (advantage which went beyond half the value), the purchase contract could be challenged.

3. The Scholastic Doctrine of the Just Price. We already find the typical combination of "subjective" and "objective" value in Albertus Magnus.⁵ The real value of goods is rooted in their capacity to satisfy human wants. Their degree of importance for satisfying wants is what determines the degree of their value. In exchange, the one good is the price of the other. An exchange act, to fulfill the requirements of justice, implies that the two goods have equal value. However, Albertus believed, as did St. Thomas Aquinas after him, that he found in Aristotle the teaching that justice required remuneration for the labor and other costs incurred in production. Actually, that idea was not expressed with full clarity in Aristotle. It is certainly a correct and socially useful idea. Besides it is in full agreement with the requirement that there should be equal value (equivalence) between goods which are exchanged, provided that we accept the fact that it is labor and other

costs which determine the kind of value reflected in such a price. This assumption finds support in the way labor and other costs (*melioratio rei*) determine and increase value.

Albert said:⁶ "*Multitudo artificum sibi invicem subserviens commanere facti civitatem.*" That is not a requirement for *iustitia particularis* or *commutativa*, but of *iustitia generalis* or social justice. Again, we are not dealing here with *iustitia distributiva* in the sense that the distribution of public goods by state authorities is involved; yet there is a kind of "distributive" justice involved on which the *survival and order of social life depends*. Exchange takes place in the social community. Inasmuch as citizens work for one another, they achieve the reciprocal fulfillment of their own various capacities and services which by themselves could not satisfy their wants. That is precisely why social life is necessary and possible. Therefore, if it is to serve the economic purpose of the exchange process, the exchange act has to take place in such a way that *the continuation and secure basis of a society in which there is division of labor*, and the material welfare of the citizens who live in such a community, are assured. That will be the case only if each person in the community, who works in the service of the community, is paid according to his labor and other costs. Such remuneration constitutes the individual and socially necessary correlative of the division of labor. The peaceful development of the economic process is conditioned by it.

Schreiber summarizes those factors which, according to Thomas Aquinas, determine value (the fact that something has value and the degree of that value) as follows:⁷

1. The wants which the goods satisfy, meaning the abstract quality of the wants, the scale of wants in the modern sense, the importance of the wants on this scale.

2. The objective qualities of the things which make them suitable for satisfying human wants.

3. The degree to which they satisfy such wants.

4. The *diversitas copiae et inopiae*, the quantity of the goods as related to the wants (demand and supply). It is on this, above all, that all variations in price from one time to another and from one place to another depend. Increased availability, in fact, the mere expectation of it, lower the price. Too great a supply leads to the loss in the value of particular goods.

5. Labor and other costs incurred enter into the value of goods to the

degree that these improve the objective qualities of the goods which make them suitable for satisfying wants: they bring about a *melioratio rei*, and thus increase their value.

6. Definite possession has a higher value than uncertain possession. "*Minus est habere aliquid virtute, quam habere actu.*"

7. The personal wants of people and their estimates of the value of goods are not the same for all people. In particular, the amount of what one has affects one's personal estimate of the value of goods. Thus too, wants vary according to one's station-in-life. Even ethical perspectives can enter into one's value estimates. St. Thomas does not recognize a purely individual subjectivity of value which would have a direct bearing on the way exchange is structured in society.

8. The sum total of persons among whom the individual finds himself will only accomplish the fulfillment of their wants if individuals make their goods available in exchange. Even if a specific good is useless for its owner and therefore of no value to him, it can still have value for others. Thus, however, it once again has value for the owner within the context of society. He can exchange it for other goods which have value for him personally. Individual goods therefore take on the quality of money in the broadest sense of the word.

In place of the individual value estimate, the social estimate determined by the wants of the community takes over. The generalized value estimate is the normal value of a thing in society. The *forum commune* determines the price. "This improved conception and formulation of normal value transcending individual value estimates, which are in the first instance quite diverse, cannot be found before St. Thomas dealt with it," said Schreiber.

Thomas insisted on *justice* in an exchange transaction. But what did he mean by *justice*? "*Iustitia est habitus, secundum quem aliquis constanti et perpetua voluntate ius suum unicuique tribuit.*"⁸ [Transl. Justice is a habit by virtue of which a person has a constant and perpetual inclination to give to each what is his due.] Men must give and accord to each what is his due in commerce and therefore in exchange transactions. This means that where something is given in exchange for something else, the two things must be equal in value. Justice of its nature requires such equality (*adaequatio*). What is *just* is what is *equal*.

From this we derive the requirement of the *iustum pretium*. The *price* must, first of all, correspond to the *value of the good offered in*

exchange.⁹ Secondly, the price must afford a return equal to the work and other costs incurred in producing the good offered in exchange.

1. An exchange of goods requires that both parties to the exchange come away with equal values, the "*aequalitas rei ad rem*," the *equality of exchange values*. Purchase and sale belong to the category of *contractus non gratuiti* (non-gift transactions). They bring advantage to both parties insofar as one needs what the other has. Both parties come out ahead by the exchange; but they ought not to gain by the price, in the sense that the parity of the price with exchange value is upset.¹⁰

The determination of exchange value depends on an estimation. On the market it is not individual value estimation which determines it, but the *general estimation* whereby exchange value is appraised in terms of the wants of the entire community. The price can change *secundum diversitate in loci et temporis* (according to diversity in place and time), so that the general estimation does not appraise exchange value the same in all times and in all places.¹¹

2. Justice requires a return which covers costs incurred, which therefore serves as a wage for labor, as compensation for making efforts, taking on risks, etc. Both requirements are in full agreement. They do not contradict one another. The one does not cancel out the other requirement of exchange justice. In exchange, a product is provided, and for that product equivalent performance in return is called for. The costs are recovered by the fact that the product has a value to which such a price corresponds. Profit is permitted, but it cannot arise from a transgression of the just price.

Inasmuch as the scholastic position established remuneration for labor and costs (*labor et expensae*) as required by justice,¹² it has provided a firm basic foundation also for *how income is determined*, just as the requirement of *aequalitas permutationis* regulated price determination according to the postulates of justice. The requirement of just remuneration adds up to introducing the *social* perspective into the principles of price and income determination. Such remuneration is a social necessity stemming from the *nature of a society based on division of labor*.

The "*aequalitas rei ad rem*" (equality between things) as a requirement of *iustitia commutativa* (commutative justice) calls for equality in *arithmetical* proportion between what is offered and what is given in

return. When we are talking about remuneration, the notion of *geometrical* proportion moves into the foreground, as is peculiar to *iustitia distributiva*. Labor services performed, along with other costs, vary greatly as a matter of fact. Ordinary labor and highly skilled labor are not the same. In each product there is a sum of unique values also with regard to labor. Remuneration for work and other costs is supposed to provide for the worker a level of support in keeping with his *station-in-life*. The principle of providing for needs (*Bedarfsdeckungsprinzip*) prevailed in medieval society. Hence we have the notion of *geometrical* proportion in remuneration.

It is worth noting the customary distinction between "*labor et expensae*" which the Scholastics made. *Costs* were distinguished from the performance of economic services; and personal services were distinguished from material ones - the use of material means.

We cannot enter into a discussion of the specific teachings of the later Schoolmen. Their opinions and teachings were essentially the same as those of Thomas. That is because we are dealing here not with traditional opinions of the same school, but ultimately with perennial principles of law which are in themselves unchangeable. Their *object* is, to be sure, subject to historical development, so that the *formulation* of basic principles does not always appear in the same guise.

Just a few more references are in order to bear out what has been said thus far. For example, when St. Bonaventure pointed out that each party to an exchange transaction seeks his own advantage, meaning that he hopes to gain from the exchange, this does not mean that he has disregarded the principle of equivalence. That simply refers to the individual use value which motivates exchange and explains why it occurs in the first place. However, none of the parties to an exchange wishes to pay more for the good than he is getting, because it has more individual use value for him than for the other party. Instead, he will reckon the price according to what the good is worth in an exchange transaction. The price is an expression of exchange value. The market price, as an expression of the socially recognized exchange value in particular, is determined by the general social demand at a particular time and in a given area where the market price actually applies, and not by individual use value estimations which deviate from it.

Thomas Aquinas already pointed out¹³ that the just price of things is not a *precise* one, but it depends instead on a kind of *estimate*, so that a

moderate increase or decrease in price will not violate the equality required in justice. That idea recurs in the works of the later Schoolmen. Some of them held, with Duns Scotus, that the just price has the nature of *a certain range*,¹⁴ and that justice is not restricted to one indivisible point; but others like DeLugo¹⁵ blamed that lack of preciseness in prices to the imperfection of human reason.

In the market, a general consensus is the determining factor of the market price. But even this general consensus cannot escape a certain lack of precision, since it is based simply on what Antoninus of Florence¹⁶ called a "*coniecturalis et probabilis opinio*." According to this view there would be a lower, middle, and higher price. Within that range, the contracting parties can reach an agreement. Intentional violation of the principle of equivalence is not allowed. Given the lack of precision in human value estimations, however, Antoninus felt that it was not permissible to condemn slight violations of the limits of the just price.

Thomas had spoken of the influence which differences in place and time had on prices. With the passage of time, Molina said,¹⁷ prices can change because of changes in the scarcity or surplus situation of goods, and also because of there being a greater or lesser number of buyers and sellers, as well as because of other circumstances: in other words, because of changes in demand and supply. De Lugo¹⁸ and Lessius¹⁹ said the same.

"*Nullus debet vendere alteri, quod non est suum, licet possit ei damnum quod patitur.*"²⁰ That is what Thomas Aquinas taught. Just because a buyer experiences a particular gain because of a purchase, a seller is not justified in raising the price; but he may do so because of a particular loss or sacrifice which he himself incurs due to the sale. Thus, when a merchant says: I set the price according to what the good is worth to the buyer, we would have to respond, in accordance with Scholastic thinking: If the gain enjoyed by the buyer is based on the qualities of your merchandise, which other buyers in similar circumstances would also enjoy, then your action is justified. But if the gain of the buyers arises entirely from his own individual situation, then you are not allowed to charge him for something which you did not provide.

The common price changes, as De Lugo noted,²¹ according to the varying modes and manners in which purchase and sale take place. Thus, the price tends to be higher when something is bought in smaller

quantities than when there is large-scale purchase; that is because in the former case the seller has to incur more expenses and exert greater effort, and so the established custom of charging more in such cases is justified. Also, objects which are offered by the seller willingly and eagerly are usually bought at lower prices than in a store. This is because such selling indicates that there are not many willing buyers around, or that the goods have low value.²²

That should suffice to give us a general picture of the Scholastic teaching on just price. In it we find a combination of "*subjective*" and "*objective*" factors, as these exert their decisive influence on price formation:

1. *Subjective Factors*: human wants, expressed specifically in the form of individual use-value. This provides the motive for exchange; and it also defines the ambience of effective demand and sets the upper limit of the price which the buyer would be willing and able to pay. Individual use-value which is based on particular individual circumstances must, of course, be understood in such a way that the incomes of individuals are also taken into account.

2. *Objective Factors*: a) the qualitative capacity of goods for satisfying human wants, the importance of the individual good or category of goods taking into account the amount of such goods which are available (supply), in relation to the expressed need for them (demand); b) the work and costs involved in producing and making the goods available; c) also the general value estimation and the officially set price (the *pretium legale* which was especially common since the 14th century) appear in scholastic doctrine as objective rules and determinants.

Can we speak of an end to such a just price doctrine with the beginnings of the capitalistic era? We think not. Even if certain scholars as, for example, B. Agidius Lessinus, among others, said that every transfer of goods which occurs *freely* is also *just*, that is very misleading and, at best, an expression of disagreement on the part of the individual author; but it does not abolish the Scholastic doctrine of the just price. All of the leading moralists until now have stayed with the latter doctrine.

As the entire purchase contract, so the value-estimation and the establishment of the price must also be free, and not controlled by some basic error, or compelled by fear or dire need. But this does not mean that it is the freedom of agreement by itself which makes the agreed

upon price just, by the very fact of the agreement. We therefore have some reservations about going along with Funk in saying: a price is entirely just....so long as it is arrived at in complete freedom and with full knowledge. *No, a price is objectively just because of the fact that it corresponds to the exchange-value of the good; and it is unjust if it violates the equivalence of values.* For the exchange concept, Ferdinand Tönnies said that *equivalence of values is the decisive factor.* The injustice of a price will often, in practice, be associated with the exploitation of another party's ignorance, or with the dire need of that party, and thus, with a certain lack of freedom. That is because a sensible person would not inflict a loss on himself in an exchange transaction if he were fully "free." Does this, however, add up to saying that the objective justice of a price stems basically from the *freedom* of the contract?

Incidentally, the teaching of the Scholastics leaves a wide area for freedom. It does not limit the just price to a precise point, as we saw. Within the range of the *pretium infimum* and the *pretium maximum*, free agreement of the contracting parties sets the price when we are dealing with a market price arrived at according to market practice. Besides, as we have indicated, the properties of the merchandise (as in the case of perishable goods, fashion articles, and the availability of substitutes), and also the personal situation of the sellers can affect it, and even set the price below the *pretium infimum* of the market. And that may have nothing at all to do with the generosity of the seller; also, the low price need not be a "distress price" in the worst sense of the word, or a "cut-throat" price. Perhaps the seller had lower individual production costs. Perhaps he is more adept in how he manages his money, etc. Thus, he properly foregoes the price which he could rightly charge; and so his willingness to sell below the established price does not make the price he is getting unjust.

Furthermore, in the case of goods where there is no market price or legally fixed price, no *pretium fori*, and no *pretium legale*, the price is set by the general consensus of the contracting parties (*pretium conventionale*). In this case we might be more prepared to say: "*translatio libera voluntate facta iuste fit.*" [Transl. The transfer that is made freely would be just.] But how and in what sense? The *pretium conventionale* too would turn out to be unjust if there is lack of adequate information, or as the result of a situation of dire need - conditions which could lead to poor judgement so that the agreed upon

price is not the same as one which would have been arrived at with better information, or if dire need had not prompted a person to act. Only a completely free, general consensus provides the kind of prospect and ability for the contracting parties to appraise the exchange value of the good to be exchanged on the basis of its objective usefulness and scarcity, and to determine the price accordingly.

4. The Economists of the Free Market Era have rejected the concept of the just price. They regard any price agreed on by both parties as just. Thus, they derive justice from the fact of the contract itself, whereas according to moralists the contract must adapt itself to the requirements of justice. But aside from that, the former simply regard any question of ethics regarding a measure of value or of the just price as irrelevant. All they are concerned about is the actual exchange transaction. It is vaguely reminiscent of the *just price* to hear merchants say: "One must give to each what the person pays for," and one should never deceive anyone about the quality of the merchandise.

We, for our part, are not content to deal only with determining "what is" in economic life. We also recognize an economic "ought" - a purpose of the national economy: the best relative satisfaction of the people's wants. This must be accomplished not only by the production process, but also by the price and income determination processes. It is patently clear that exchange, pricing, and income distribution work best - in fact, they only serve the economic purpose in a satisfactory manner - when they are based on justice. In these critical times, that is also the only way to preserve our social order which is based on private property. In the capitalistic era, the idea of occupational organizations and the principle of satisfying people's wants (*Bedarfsdeckungsprinzip*) were rejected in favor of the principle of profit-making. Under such circumstances moral checks should have become all the more relevant. If profit is guided solely by egotistical instincts, then the general economic welfare has only a hollow ring, and society will proceed irreversibly to its destruction despite all talk of so-called cultural progress. That is not to say that we want the economists to investigate the object of their science from the point of view of ethics. As we have said repeatedly, it is not their task to instruct us about virtue and vice, but about the ways and means which lead us to the material welfare of nations, and about how to safeguard these. However, it is precisely in such matters that they can learn much from the moralists, without

themselves becoming moralists. The expression, "*Iustitia fundamentum regnorum*," [transl. "justice is the foundation of kingdoms"] applies also to the economy. The leading economists of our time (e.g. Wagner and Schmoller, etc.) have recognized that.

5. Market Price and the Just Price. In summary, we may say the following: *the just price will be determined, as a rule, by general consensus wherever there is no legally established price.* In order that a general consensus may establish itself in the most concrete and objective terms, it is advisable to set up organizations within which producers, merchants, and buyers can express their views. In normal situations, the general consensus will provide an acceptably accurate approximation to the just price, so long as there is a proper kind of give and take between producers on the one hand and consumers on the other, leading to an appropriate adaptation of supply to demand, which is in keeping with the need to provide for people's wants. One may assume that *if these prerequisites are fulfilled*, that the *market price* generally fulfills the *requirements of justice*. However, where that prerequisite is lacking, where powerful forces and interests simply dominate the market in a one-sided manner, or where other unusual situations occur which stand in the way of normal price formation, that presumption ceases to apply. Taken by itself, therefore, the fact that a price is actually asked and paid on the market does not yet add up to justice in pricing.

During and after the War, normal price determination in Germany was not operational. Misinformation on both sides made it impossible to achieve any decent balance in the competition between buyers and sellers. The competitive ability of sellers suffered from the acute scarcity of goods which increased day-dy-day.

6. Usury. According to Roscher:

There is a variety of kinds of undertakings that are highly lucrative for the individual, but which are totally unproductive, and even harmful for mankind, because they take away as much as, or more from, the other party than they bring in for the one who engages in them. These would include, aside from actual crimes against property, also games of chance, the quest for pure speculative gain, and tricks to

lure customers away from other competitors.

Roscher stressed especially the "unproductiveness" of such activities which are nevertheless very lucrative for the operator, among them "usurious speculation." The expression, "*usury*," which lay people use with such reckless abandon," Roscher wanted to confine in the science to cases "where there is intentional, in fact, deceptive resort to exorbitant prices." However, "ruinous prices" were in his view those which "either are way above production costs (monopoly prices), or which are way below them (distress prices)."

As for providing a clear and satisfactory explanation of the concept, *usury*, we may well have some reservations about the clarity in Roscher's words.

Lexis said:

By usury in the ordinary sense, we mean, an exorbitantly high return for providing loanable funds. In the first instance, this use of the concept brings to mind mainly usury on money....and the essential element here is taking advantage of someone who needs credit.

Lexis was right insofar as he pointed out that, in the first instance, the use of the word, *usury*, in ordinary language refers to usury in money lending. At the same time, even in everyday usage the expression is not confined to usury in money lending. G.v. Below, therefore, came closer to the real meaning when he said: "According to popular usage, usury comes to mean any profit-seeking, even if it does not involve outright deceptive exploitation of another person." It is noteworthy that Lexis too saw the *essence* of usury in money lending in the way the lender *takes advantage* of the borrower. It comes down to extracting from him "*an exorbitant rate of return*."

We find the same idea in Lorenz v. Stein. He defined usury (usury in lending) as "the kind of credit transaction where the dire need or impecuniousness of the debtor is deliberately exploited, to extract a *promise of repayment* for which there is *no corresponding loan*."

Caro, however, added another factor. He saw usury as present "when there is no question but that we have such a discrepancy between what is given and what is gotten in return, that the debtor is driven beyond his means, so that what is demanded of him drives him to economic

ruin" Here too, of course, the concept, usury, is identified with "the disproportion between what is given and what is gotten." What has been added, is what is also implicit in the economic judgement of usury - the *eventual destruction or endangerment of the economic existence* of the victims of usury.

Lexis thought that so far as *business* judgement is concerned:

From the viewpoint of the 'civil' principle of 'economic viability', there is actually nothing that can be said if the lender exacts the highest possible return by taking advantage of favorable circumstances, even if this is not justified by the risk involved in the transaction. Yet good economic judgement must, even in the existing commercial order, make it plain that usurious business transactions are damaging to the *common good*, inasmuch as they promote or cause the destruction of individual economic units which could have survived if it had not been for the exorbitant greed of the usurer.

Usury is, thus, not exclusively related to the loan of money. We will speak specifically about usury in interest transactions elsewhere. Here we are dealing primarily with usury in *buying and selling transactions* where there is *profiteering by exorbitant prices* or buying at *ruinous prices*. Here too the same factor is characteristic of usury as was more or less suggested in the definition above. We are dealing with a *disproportion between what is given and what is gotten*, with "an *exorbitantly high rate of return*," etc. However, it is not exactly necessary that in order to have a case of usury, the disproportion between what is given and what is gotten in return has to cause the *ruin* of the victim. It is enough if the gain by one party is not based on the value given, but on the loss suffered by the other party. To be sure, such damage will not exactly be helpful for the economic activity and the economic survival of the victim. And if such depredations become frequent in a national economy, economic judgement cannot fail to take note of the damage to the general welfare.

We may now be permitted to formulate the concept of usury somewhat differently. The exchange transaction is a vital part of the national economic system of satisfying wants. It has, as we indicated earlier, the economic purpose of providing, in the best way possible under given conditions, for the needs of a nation. What holds for

exchange transactions in general, is especially valid also in price determination. Now it is obvious that the best provision for a nation's needs depends on the regular conformity of the actual prices of goods exchanged, to the proper prices, i.e., to the prices corresponding to the then applicable exchange-value of the goods: in other words, to their costs of production.

By usury in its most general sense, therefore, we mean any *contractual appropriation of obvious surplus value*.

That involves: 1) a *contractual* appropriation, not an extraction of value from others in some other non-contractual manner, where something is given in return for something gotten in exchange. Thus, the damage is incurred by the very fact of a *contract*. The contract serves as the *means*. 2) There is an exaction of *surplus value* either by taking advantage of too high or too low a price. 3) There is *obvious* surplus value. If the relationship between what is given and what is gotten in return is dubious, we are not dealing with usury. The most clear-cut case of a usurious transaction would be one where an officially fixed or firm market price is established. Even then, one would have to be charging significantly more, especially in the case of the market price, before one could talk of usury. Minor deviations from the market price still do not add up to usury. They can be explained away and excused in terms of the lack of complete certitude in human as well as in commercial judgements. Exaggerated rigidity could have dire consequences. But whether one has to have a "*laesio enormis*" as understood in Roman law remains open to question.

Examples of lesser deviations from otherwise standard prices are plentiful in everyday life. Thus, for example, people of the upper classes in cities have their special hotels or restaurant rooms where prices are higher. To be sure, in such cases the preservation of exclusivity and the finer decor of the rooms or establishments can justify higher prices.

John Stuart Mill²³ already noted that the proposition - one price for all customers - in reality has to do more with large-scale business in staple merchandise. Otherwise we find everywhere high-priced stores and bargain stores. In fact, the same retailer often adapts his price list to the kind of customers he expects. The public which wants to haggle knows that and adjusts to it. Furthermore, we can be dealing here with the range between the highest and lowest market price which we spoke of earlier. Usury becomes an issue only when there is unwarranted and

large-scale transgression beyond the highest market price.

Most of the time when we are talking about usury we are talking, in fact, about the exploitation of ignorance, the lack of business acumen, frivolousness, and exploiting the particular need of one contracting party. We are not to see in this the essence of usury, but also not a mere chance "*qualitas*" of usury. More often that involves a kind of qualification which, in such a case, cannot be separated in practice from usury. That is because a sensible person who knows his business would not usually allow himself to be exploited by a usurer, unless he did it by error or in dire need.

With individual cases of usury, the distinction between material and formal usury, attempted usury and successful usury, etc., are matters with which moralists and jurists have to concern themselves. The latter have to deal also with the question of combatting usury by civil and criminal law. Specifically, the question of business usury and usury in things which have general utility and are of an essential nature should be addressed squarely. It is not the task of public authorities and of legislation to do away with legitimate and necessary freedom, but to safeguard the conditions for true freedom of contract. Such measures will not be able to protect contracting parties from all abuses which they may suffer due to lack of acumen and caution. No legislation can substitute for personal responsibility. Here too, in fact especially here, the proposition applies: "Honesty is the best policy!" The more the amount of freedom that is safeguarded by political legislation, the more necessary it is that prices be set with regard to ethics; and the more effectively this is done in practice, the greater, in turn, will be the degree of true freedom which the state can make possible. Besides this, we have here a broad and fertile field wherein economic and occupational organizations can operate. One is reminded of the success which farmer organizations had in combatting usury in cattle exchanges. What great potential there could be for occupational organizations which could regulate prices with a view to the dignity of their respective groups, and also with regard for the general welfare! One recalls also the considerable effectiveness of the *anti-usury and legal protection societies*. (Vol. V, pp. 83-98)

¹ Aristotle's teaching, especially in the 5th Book of Nicomachean Ethics. For a discussion of the entire issue, see Edmund Schreiber, *Die Volkswirtschaftlichen Anschauungen der Scholastik seit Thomas von Aquin* (1913) 31ff.

² Regarding Plato, see Bäumkers essay in *Staatslexikon der Görres-Gesellschaft* IV, 159ff.; Pöhlmann, *Geschichte des antiken Kommunismus und Sozialismus* I (1893) 184ff. 198ff. 224 (new edition).

³ For patristic doctrines, see the works of Schilling on: *Reichtum und Eigentum*, and: *Die Staats- und Soziallehre des hl. Augustinus*; Seipel, *Die wirtschaftsethischen Lehren der Kirchenväter*; Funk, *Kirchengeschichtliche Abhandlungen und Untersuchungen*; Steinmann, *Jesus und die soziale Frage* (1921); Troeltsch, *Die Soziallehren der christlichen Kirchen*; Sommerlad, *Das Wirtschaftsprogramm der Kirche des Mittelalters*; Brentano, *Die wirtschaftlichen Lehren des christlichen Altertums*, and, *Entwicklung der Wertlehre*, etc. Regarding Augustine, see especially Mausbach, *Die Ethik des hl. Augustinus*; Weinand, *Antike und moderne Gedanken über die Arbeit*, etc.; Schreiber, *op. cit.* 6ff.

⁴ *De civitate Dei* 11, c.15.

⁵ *Ethica* (Jammy edition) lib. 5; tract. 2.

⁶ *Op. cit.* 9, c.9. Cf. Schreiber, *op. cit.* 52f.

⁷ *Die volkswirtschaftlichen Anschauungen der Scholastik seit Thomas von Aquin*, 56ff.

⁸ *S. theol.* 2,2,q.58, a.2,4,7,8,11, etc. Schreiber, *op. cit.* 32ff. 61ff.

⁹ St. Thomas did not distinguish between "valor" and "pretium." As is true also in Roman law, both expressions are used interchangeably.

¹⁰ *S. theol.* 2,2,q.77,a.1: "*Si vel pretium excedat quantitatem valoris rei, vel e converso res excedat pretium, tolletur iustitiae aequalitas. Et ideo carius vendere vel vilius emere rem, quam valeat, est secundum se iniustum et illicitum.*" The value being discussed is exchange value. We are dealing here with purchase and sale. The heading of the article reads: "*Utrum licite aliquis possit vendere rem plus, quam valeat.*"

¹¹ *S. theol.* 2,2,q.77,a.1c; a.2 and 3; a.4 ad 2. *Opusc. de emptione et venditione.*

¹² *S. theol.* 2,2,q.77,a.4 ad 1 and 2; q.32. a.10 ad 3.

¹³ *S. theol.* 2,2,q.77, a.1 ad 1.

¹⁴ Cf. also Molina, *De iustitia et iure* II, disp. 26, n. 40.

¹⁵ *De iustitia et iure* II, disp. 26,n.40.

¹⁶ Regarding Antoninus, see Illgner, *Die volkswirtschaftlichen Anschauungen Antonins von Florenz* (1904); Schreiber, *Die volkswirtschaftlichen Anschauungen der Scholastik seit Thomas von Aquin* 217ff. Antoninus also recognized the dependence of the scarcity of economic goods on cost outlays.

¹⁷ *Disp.* 339, n.4; *Disp.* 348, n. 4.

¹⁸ *Disp.* 26,s.4, n.44.

¹⁹ *De iustitia et iure* I.2,c.21, *deb.*4.n.30.

²⁰ *S. theol.* 2.2.q.77, a.1.

²¹ Cf. also Molina, *Disp.* 348, n.6; de Lugo, *Disp.* 26, s.4,n.44.

²² *Disp.* 26,s.4, n.45; Cf. also Molina, *Disp.* 348, n.5. 227.

²³ *Principles* Book 2, chap. 4, §3.

Excerpt 7

THE JUST WAGE AS THE ECONOMICALLY CORRECT WAGE

Translator's Commentary. The income distribution process, the third in a line following production and exchange, is pivotal in the solidarist system of economics. Pesch preferred to designate it as "income determination" (*Einkommensbildung*), perhaps because of the very divisive, controversial aspect assigned to the process by Marxists, as well as by classical, liberal economists following in the tradition of David Ricardo in particular. Whereas the solidarity implicit everywhere in the social economy is clearly evident in the production and exchange processes, where it also encounters less difficulty, it is put to the ultimate test in the income determination process. Indeed, the litmus test of whether a national economy is functioning and can perform properly is in the successful operation of this process. Its smooth operation is ultimately critical for both the micro-economic process where the strike/lockout in labor relations indicates its breakdown, and also in the macro-economic process where recessions, depressions and economic crises - the preferred European term used also by Pesch - indicate its failure on a grand scale.

Since most people earn most, if not all, of their income from their work, and since the working human person stands as subject at the center of the solidaristic system, wages, taken in the broadest sense as the remuneration for work, are the most important, critical element in the income determination process. Pope John Paul II, revealing once again the extent to which Peschian economic thinking influenced his

own thought, said as much in his encyclical *Laborem Exercens* (1981): "It should also be noted that the justice of a socio-economic system and, in each case, its just functioning, deserve in the final analysis to be evaluated by the way in which man's work is properly remunerated in the system."

The discussion of just wages in the *Lehrbuch* is prefixed, however, by Pesch's repeated insistence that it is not the task of the economist, therefore of economics, to determine whether the wage is in harmony with the moral law. While that must come from the moral science, or ethics, nevertheless the economist can draw on the conclusions of that science, while at the same time demonstrating that in the matter of wages, what is morally proper is also economically correct!

Overall, Pesch's treatment of the just wage in the 5th volume of the *Lehrbuch* contains the fundamental ingredients of the just wage doctrine first presented in its modern form in the Leo XIII encyclical, *Rerum Novarum* (1891). Specifically, there is the statement of the personal nature of human work, as distinct from other factors of production, which cannot therefore be separated from a man's basic rights and purposes: to support himself and his family at a decent level of sustenance in keeping with the particular stage of cultural advancement in question.

Aside from the formulation of the just wage principle contained in this part, there are also other significant statements. In a remark, untypical of our own time, Pesch referred to the "white death," referring to the dying off of nations because of "unnatural birth reduction." He suggested that the widespread failure to pay just wages was partly responsible for that, which ties in with his oft-stated position that capitalism has undermined family life. There is also a prophetic statement by Herman Roesler about the inevitable failure of the radical socialist solution to the unhealthy state of worker-employer relations in the capitalist order. Roesler stated in 1871 that if private ownership were abolished, "...the inevitable consequence would be unleashing a flood of bondage on the masses." However, we find here also Pesch's explicit rejection of the liberal economic approach which leaves determination of the wage to "the law of supply and demand." He always placed quotation marks around this "law" for the simple reason that he did not regard it as a scientific law in the accepted sense of that term. He rejected here, once again, what he called the "neo-Manchester" approach that was then making a significant reappearance in Germany

during the post-World War I era, with all of the alleged fears and arguments, e.g., against minimum wages, as resurfaced again during the 1980's in, for example, the United States. However, we find also the standard reminder that the state alone cannot accomplish the task of assuring just wages. Here Pesch affirmed once again the need for the "occupational organization" (*berufsgenossenschaftliche Organisation*) made up of both workers and employers who work at the same occupation. Finally, a significant challenge was thrown out to employers who like to affirm political equality, that they might also think about applying that ideal in their dealings with workers and organized labor.

To repeat once again, it is not the task of the economist to determine which level of wages fulfills the requirements of the moral law, i.e., what is morally good. He leaves the resolution of this problem to ethics and to competent authorities. For our science, the economic purpose (satisfaction of wants in keeping with what the national welfare requires), is the *obiectum formale*, the particular aspect in which we have to examine also the wage issue and arrive at a conclusion about it. In the process, however, an unbiased approach to this problem will show that what ethics determines as being the just wage is, at the same time, the economically correct wage. First, however, a few -

1. Prefatory Remarks About Working Conditions, Wages and the Labor Contract. Here we shall recall only the general principles which we have dealt with in greater detail in the third volume.

1) The *relationship between employers and employees* is by its nature designed and inclined to constitute a social bond between the two parties. It need not and may not be the basis and means for promoting a *rift* in society. 2) The *end purpose* of work is not merely the production of goods; that purpose is the *well-being of those who are involved in production and also of the whole of society*. 3) Work is a *personal activity*, and the capacity to work is a *personal quality*; it is not a thing or a *commodity* but rather the activity and property of a free, moral being endowed with natural inalienable goals, rights, and obligations. 4) The *absolute free arbitrary* determination of working conditions on the part of the contracting parties, which can eventually mean *the*

exercise of raw power, is irreconcilable with the natural obligations of the participants and with the common good of the whole body politic. Thus, it will be the task of the various agencies which regulate society to effectively prevent especially the *intellectual, moral, and material suppression and exploitation of workers*, the dissolution of the family life of workers, and the neglect of the education of the young. So it is up to them to see to it that the worker does not somehow allow himself to be saddled with working conditions, because of the difficult circumstances in which he finds himself, that also happen to be in flagrant contradiction with human, Christian dignity and its attendant natural and moral obligations. On the other hand, however, violating and obstructing the rights of employers are also to be avoided, if for no other reason than out of regard for the obligations imposed by the overall economic purpose of society.

For a proper evaluation of the wage question, it is well worth recalling once again the true nature of the wage contract.

This is 1. *not a purchase contract*, because the capacity to work and the active rendering of labor services do not come under the heading of "*commodities*," and they are not to be placed on the same level as material goods, any more than they can become the property of the buyer. Man is and will continue to be always the "*subject*" and the "*end purpose*" in the economic order; and the material good will always and everywhere be merely the "*object*" and the "*means*." 2. It is also *not a rental agreement* of which the power to perform work is seen as its object; and this is because that power is inseparably tied to the worker so that it cannot be transferred to the ownership of another any more than the person himself can. 3. It is not a *social contract* in the *juridical* sense; it does not establish an *equal society* (*societas aequalis*) where social authority ultimately resides in the aggregate of all societies, bears the losses of all, and distributes profit among its members, etc. In the *ethical* sense one may speak here, instead, of a *societas inaequalis* inasmuch as the worker and the employer are united into a solidaristic community, even though there is an authority-subject relationship for the purpose of generating use values.

The *wage- or labor contract* is far more a *special kind of contract all by itself*; - it is a "*contractus sui generis*," which has some things in common with other kinds of contracts, but which is not to be regarded as of the same nature.

The *subject* of this contract is the *free human person* who now

promises to apply his working capacity in the service of another person, and in return he expects from the other party to the contract a wage which corresponds to the value of his contribution.

The *immediate object* of the contract is the *application* of human activity, the *external act* of human working capacity; the *indirect effect* of the contract is the *right* to demand this act from the worker, and the *obligation* of the worker to render that act as specified.

Insofar as the worker now obligates himself by the contract to provide labor service or to engage his working capacity, even though this working capacity is, once again, inseparable from his person, the *person* is indirectly brought into a precisely circumscribed relationship with the employer by the contract - or if one prefers, by the consequent *obligation* to perform *personal* labor services.

As with every contract, so the contract to render service is also firmed up by the binding declaration expressing the meeting of the minds which takes place between the contracting parties regarding the obligations which are to be assumed. This binding obligation is a bilateral one. Each of the parties involved must perform; each gets a claim directly by virtue of the contract; and it is a claim which, in accordance with its content, offers the power to demand of the other party the performance which is agreed upon. Thus, the worker obligates himself in his work contract to offer some kind of labor service as stipulated; but in return he gets the claim to a commensurate wage. On the employer's side, there is the corresponding right to demand from the worker performance of some extrinsic labor services, along with the concomitant obligation to pay the commensurate wage.

There are juridical experts who saw in every contractually established right to performance a dominion over the will of the obligated party. We do not share this opinion, because not every claim to performance necessarily brings with it a personal subordination of the one who is obligated. However, if the service relationship does involve a certain degree of subordination of the worker to the authority of the employer, this stems solely from the *particular nature* of the *relationships* as stipulated in the agreement to provide service.

Since the worker, in fact, obligates his working capacity contractually to a particular kind and term of activity, and since this work may, of its nature, require a certain exterior direction - specifically where many forces have to cooperate effectively for achieving some end or end product - the worker thereby enters into a position of carefully

circumscribed subordinate relationship to the supervisor. We say, a carefully circumscribed subordinate relationship, insofar as the immediate object of the service contract includes not merely the obligations of the worker to perform the exterior act, but beyond that also the readiness to submit to the *guidance* of his supervisor in *carrying out the required work*. This dependence does not contradict the notion of personal freedom, because it in no way infringes on the rights of the worker, his human dignity, and his higher ethical obligations.

Socialism errs when it holds that in the society of the future it can do away with a dependence on work done in compliance with managerial instructions, because that kind of work, when properly understood, is based on the very nature of production which is *social*. Herman Roesler says:

If we speculate about a utopian commune without private ownership, and where there is common ownership of everything, then you would still have to appoint people to organize and supervise the technical working arrangements within the context of common ownership. The servile position of labor would be the same, except that, along with it, private ownership, a basic foundation of personal freedom in society, would have been abolished. So it would be impossible for the social condition of the working class to bring about more freedom in such a situation than there is when we have private ownership. For freedom does not simply appear out of thin air. It is a complex structure of interrelated legal arrangements which are mutually supportive and complementary. This structure collapses when you remove the foundation. If the servile character of labor is inextricably bound up with its destiny to subordinate nature to social cultural purposes, and if it is therefore no more dispensable than the obedience of soldiers to the commands of their superiors, then, on the other hand, freedom and lack of freedom likewise represent a completely independent legal condition which has the general development of society as its source. Just as a soldier can be either a slave or a serf or a free man, the same is true of the worker. Nothing could be more foolish, therefore, than the fantasy which proposes that the freedom of the worker necessitates the abolition of private property; and nothing is more fallacious than the opinion that socialism and communism are the stuff of which free labor is

born. In a society which is as riddled with the passions of greed and with the need to dominate, as is the case with modern Europe, the abolition of private property would be like tearing down the breakwall; and the inevitable consequence would be unleashing the flood of bondage on the masses.

The *service nature* of work, therefore, is not simply an unfortunate consequence of the poverty of the working class; and it is not simply an arbitrarily determined contractual stipulation. Nor is it a purely historical phenomenon, a mistake which will eventually be remedied by cultural progress. No, we are dealing here instead with a fact of life which is imposed by the very *nature of production*, as well as by the human and social condition. In other words, it is an unavoidable precondition that is required in every social order in order to assure *the necessary material progress of the human race*. It is possible to accomplish the continuous and well-ordered *cooperation* of many human forces precisely because those who own property exercise the economic function of *leadership* and *organization* of labor. Only in this way can nature be brought into subjection, and only in this way will mankind be enabled to take a hand in the ongoing process of creation so as to provide the basis for continuing progressive development. Roesler said,

Without property ownership there would be neither genuine cooperation in work, nor a firm abiding community of mankind which goes beyond mere physical proximity. Without it, humanity would be like a sand pile which is repositioned by every gust of wind. Inasmuch as ownership bestows control, a certain social pressure is exerted on the non-owners who, therefore, allow themselves to be guided by the will of the owners. This pressure generates counter-pressure from the other side, which provides that those who own have to see to the *survival of those who do not own*. Now that is the situation which provides us with the original source of all common interest and, along with this, of all civil virtues. Those who own must, in fact, care for and see to the welfare of labor; what they have between them (the *interesse*) establishes the responsibility and the obligation on both sides.

Briefly, in and of itself the subordination which comes with the

worker entering into a contract for service in no way harms his dignity, freedom, and personal rights. Instead, it is called for by the nature of production, and their productive cooperation with those who do own underlies the survival of those who do not own. The relationship between those who are in authority and those who are subject to their authority can be abused and thus become a condition of *oppressive dominion* inflicted on the workers. It is against such *abusive* conditions of domination, in particular, that the workers' *struggle for emancipation is directed*.

Socialist theory, which tries to establish itself on the basis of the abolition of wage labor, has been repudiated precisely by some socialists. *Whence, this requirement?* Bernstein asked. He traced it back to two roots.

First, there were the ancient *socialistic* and *communistic* Utopias:

In More's *Utopia*, in Campanella's *Sun State*, in Morelly's *State of Nature*, in Babeuf's *Egalitarian Community*, in Cabet's *Icaria*, in Fourier's *Phalanx*, in Owen's *Harmony*, there was no room for wage labor. But all of these idealized communities were mercilessly stripped of their suppositions by the development of capitalism. In the age of mines with their ever-expanding coal tunnels, and with ever more gigantic steel works and immense factories with power-driven machines, of shoe-, textile-, furniture-, etc. cities on the one hand, and the enormously complex development of human and commodity traffic along with enormously increased and varied production, such Utopias have lost whatever credibility they may have had.

Then, the demand that wage labor be done away with has its second basis in the Marxian *labor theory of value*. Today, however, the untenability of the Marxian value theory is all but generally recognized. With that development, this second basis for the socialist demand also falls apart.

According to Bernstein, the proposition: *let us do away with the system of wage labor*, makes no sense in the foreseeable future, just as the demand that money be done away with is purely Utopian in our time.

In the Phalanx made up of from 20,000 to 30,000 persons

it may be possible to get along without money. And the inscription at the Abbey of Thelema: Do what you will to spread the dictum of Krapotkin: Take from the pile! In the economies of our time with their intense division of labor involving countries and complexes of countries with millions and millions of people - and we certainly do not want to go backwards - that kind of thing is unimaginable. We will end up staying with wage labor, just as we will stick with the use of money. The labor unions, therefore, act in harmony with the evolutionary trends of our national economy when they work deliberately to preserve the wage system or to perfect it, and when they reject and oppose all attempts to do away with it by profit-sharing, capital-sharing, etc. As well-intentioned as such schemes may be in individual cases, they nevertheless stand opposed to the status of the individual factory and its workers in the economic organism of the present time. The battle is not against the wage system, since that system is closely identified with the nature of the economy based on division of labor; and mankind will not and cannot turn its back on the great benefits which come from that. Therefore, what we must strive to achieve, and what is happening more and more in actual practice, is a continuing development of the system of wage labor. The employer-worker relationship will remain essentially a wage relationship, regardless of whether labor is performed for private entrepreneurs or for communal enterprises or state-run operations. However, *the system of wage determination, the methods of computing wages, the entire set of legal relationships in which workers find themselves*, those are matters which take on a more and more *collective character*, even in our time; or, in some cases there is *collective determination or supervision*. And making this collective pattern ever more compatible with the whole system of *labor laws* so as to safeguard the worker from undue wage pressure and arbitrary treatment in hiring and firing, that is a part of the task for socialistic (?) labor. And that cannot be accomplished by labor unions alone, but it is nevertheless a part of their essential mission. They are an indispensable part of the solution, and they will continue to have this task to perform even after capitalistic domination has come to an end.

The other noble idea too, abolishing work altogether or replacing it with pleasant and varied employment, as Fourier and his predecessor Morelly fancied, Bernstein relegates to "never-never land."

By the perfection of technology, by the ongoing development of the factory, etc., by hygiene, by sharply reducing the hours of labor, work will more and more be stripped of the unpleasantnesses which go along with it in our time. However, to make mining or work in mechanized textile mills, foundries, stone quarries, etc. pleasant, that is something which even technology will probably never be able to accomplish, because all of its progress tends to make the man more dependent on the machine, irregardless of whether we are talking about the individual machine or the central power source of the entire operation. Only such work is pleasant which involves a great deal of variety of its very nature, or else, creative activity; and both such types of work seem destined to elude the rank and file majority of workers more and more as technology evolves. And even if technology continues to shift the boundaries which separate various occupations, in some cases reducing the barriers which divide the various occupations from one another and in some cases perhaps even eliminating them altogether - we see, for example, how close it has brought the cabinetmaker to the shoemaker by virtue of the machinery which all employ, and how close the writer is brought to the typesetter by the typewriter, how close the coachman has been brought to the locksmith because of the motor vehicle, etc., and how easy the transfer from one occupation to another has become - yet different occupations have not yet been abolished. When handicraft was the rule, it was possible to work for two hours in the shop and then to do garden work or other types of work for a while. In today's factory, such recreation is out of the question. The organization of the modern factory requires subordination of the individual to the requirements of the overall operation and the continuous flow of work from one worker to another. It does not tolerate the whims of individual workers, any more than the street car conductor can enjoy the whims which cabmen might indulge in. That is why no kind of socialism can effect much change unless we are prepared to make all of production, transportation, exchange, etc., vastly more expensive and thereby to reduce the social product

considerably. Outside the factory and its corresponding types of enterprises is where the area of freedom begins, the area of pleasant and varied activities; and we will be able to extend and improve this area so as to provide to all a far greater amount of pleasure and opportunities for creative and free personal activity, the more law and order obtain in the factory itself. It is the task of labor unions now and in the foreseeable future to assure this and to see to it that *democratic* order and *democratic* law are what we get, and having gotten them that we preserve them.

There is an essential difference between getting rid of wage labor, and the suggestion that is emphasized in *Christian* social teaching to the effect that we oppose the *continuing proletarianization* of the nation. Thus, we are faced with the struggle to preserve the economically independent middle class, and with the need to support productive cooperatives where that is feasible. We have also to demand that labor relations be structured in a constitutional fashion where the workers belong side-by-side with the owners in an occupational and working community, so that they have a share in the business; and that by a properly structured and operated system of worker councils, they will have a certain degree of influence in the management of the enterprise.

2. The Principle of Wage Determination. The determination of the wage rate cannot be simply an arbitrary matter, which means that it cannot be left entirely to the arbitrary discretion and greed of either the employer or the workers, or simply to a power struggle between organized forces on both sides. There can be a satisfactory resolution of the wage determination question only if one proceeds from a validly founded principle which is, at the same time, in full harmony with what the genuine general welfare requires. To the right-thinking person, it is clear that the *principle of justice* is the dominant and ultimate consideration in setting wages: the wage issue is a matter involving the natural law and natural justice. That is what the venerable and authoritative precursor of Christian social reform, Baron Karl v. Vogelsong had already taught us. He assigned to social scientists the task of *combining with moral theologians* to arrive at sound conclusions, by using the natural law principles of the just wage which the tried and true moralists of old had occasion to apply only to domestic servants. He wanted them to derive conclusions in this way

which could be used to govern present-day relations between employers and workers on the basis of justice.¹

Though it may be difficult or impossible to determine the just wage precisely in dollars and cents figures, the applicable principles of law nevertheless remain decisive for any sound wage policy.

The particular variety of justice which applies in wage determination was held by moralists to be *iustitia commutativa*, the so-called *commutative justice*, which applies to exchange transactions in general.

Whenever there is an exchange of services between two parties, justice requires equal value, as we have seen. That is the principle which we discussed earlier called *the principle of equivalence*; and it was dominant throughout the medieval era wherever there were business or commercial transactions, just as it also provided the foundation for the Church's laws regarding interest and usury.

Now, however, we are dealing with an exchange which takes place within the labor relations context. To be sure, the labor contract is no mere exchange contract any more than the worker-employer relationship considered as a whole is a mere exchange relationship. Nevertheless it does involve a specific kind of exchange. On the one hand, *work* is performed for someone; and on the other hand, the *wage* represents repayment for that work.

Commutative justice, in fact, requires that the wage must be equal to the labor service which is performed.²

It is of the greatest importance therefore that we come to grips with the question: on what basis do we determine *the equivalence between wages and work*?

The capacity to work is a natural good of man, which is destined and therefore also empowered by nature, or by the Author of nature, to provide the worker with his necessary sustenance. Work, as an activation of this capacity to work, assuming the normal state of affairs, shares in this natural destiny and capacity of the ability to work. The level of importance of labor, first of all for the worker himself, is measured by that natural destiny and capacity of labor, i.e., by its destiny and capacity of providing the worker with his livelihood. In labor relations we do not simply have the exchange of a thing for money. Here a human person confronts another human person. The service performed has a human, personal character. Therefore, determining the value of labor involves some essentially different factors than does the determination of the value and price of

commodities. The employer must recognize that and therefore not set the wage level without regard for the natural destiny of labor. In the work contract, what you have is a worker placing his *natural means of self-preservation* at the disposal of an employer for the period of service which is stipulated. The obligation to provide for one's livelihood takes priority over all other contractual obligations so that it cannot be set aside in these or by these. Therefore it is also not left to the worker's discretion to place his full-time working capacity in the service of another person, unless the wage which he receives will assure him the requisite livelihood in return for the period of service involved.

These principles received especially clear expression in the famous encyclical of Leo XIII *On Labor*.

3. The Encyclical *Rerum Novarum* On the Matter of Wage Determination.³ After the Pope had emphasized that Sunday rest and also the necessary respite from work which is necessary for bodily recreation are explicit or implicit conditions of every work contract, and after he had further stated the general principle: "An agreement without this condition would be *morally impermissible*, because a surrender of one's obligations to *God* and to *one's self* cannot be required or agreed to by anyone," he continued:

We now approach a subject of great importance, and one in respect of which, if extremes are to be avoided, right notions are absolutely necessary. Wages, as we are told, are regulated by free consent, and therefore the employer, when he pays what was agreed upon, has done his part and seemingly is not called upon to do anything beyond. The only way, it is said, in which injustice might occur would be if the master refused to pay the whole of the wages, or if the workman should not complete the work undertaken; in such cases the public authority should intervene, to see that each obtains his due, but not under any other circumstances.

To this kind of argument a fair-minded man will not easily or entirely assent; it is not complete, for there are important considerations which it leaves out of account altogether. To labor is to exert oneself for the sake of procuring what is necessary for the various purposes of life, and chief of all for self-preservation. 'In the sweat of thy face thou shalt eat bread' (Gen. 3:19). Hence, a man's labor necessarily bears

two notes or characters. First of all, it is personal, inasmuch as the force which acts is bound up with the personality and is the exclusive property of him who acts, and, further, was given to him for his advantage. Secondly, man's labor is *necessary*; for without the result of labor a man cannot live, and self-preservation is a law of nature, which it is wrong to disobey. Now, were we to consider labor merely in so far as it is personal, doubtless it would be within the workman's right to accept any rate of wages whatsoever; for in the same way as he is free to work or not, so is he free to accept a small wage or even none at all. But our conclusion must be very different if, together with the personal element in a man's work, we consider the fact that work is also necessary for him to live: these two aspects of his work are separable in thought, but not in reality. The preservation of life is the bounden duty of one and all, and to be wanting therein is a crime. It necessarily follows that each one has a natural right to procure what is required in order to live, and the poor can procure that in no other way than by what they can earn through their work.

"Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage earner. If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice."⁴

The Pope distinguished between a necessary and personal character of labor (*nota, ratio*). The "*ratio personalitatis*" and the "*ratio necessitatis*" are actually not real differences, but conceptual differences. Since the worker is lord over his labor power, and this remains under his personal control, he is able, in a sense, to be content with a very low wage, or he can even work for no wage at all. In that sense, the worker is acting as a free agent and there is no further obligation so long as he has at his disposal other means to sustain his livelihood. However, if his labor is his indispensable means of sustaining himself, he cannot agree to work for a wage which is not sufficient to provide a decent human livelihood for himself. If he, in fact, does so, whether

because of fear or in desperation, then the wage contract violates justice. Thus, a limit is placed on an employer's unjustified urge to enrich himself; and consequently he may not pay a wage which is insufficient to provide a decent livelihood for his workers, whether because of a plentiful supply of workers, or simply to gain an advantage over his competitors by lowering his prices, etc.

Thus, the Pope applied: 1. the principle of proper support, in determining the wage. 2. He designated an absolute lower limit for the just wage - a minimum wage - i.e., the lowest wage rate that would be permissible. 3. This absolute lower limit is derived from the obligation to provide for one's support. 4. The sustenance of which the Pope spoke is not a bare subsistence minimum, but one which may be designated as providing a dignified, human level of living that is in accordance with given historical and cultural circumstances. 5. The natural justice which calls for such a wage in commutative justice stands opposed to just any and every wage which might result from a freely arrived at agreement; and under normal circumstances, it may not be set aside by mere contract.

4. The Theory of Production Costs and Wage Theory.

The question arises whether the teaching of Leo XIII about an absolute minimum wage comes down to the same thing as we find in the older theory which sets the wage of labor as well as of commodities according to the *cost of production*. To be sure, the subsistence of the worker, in a certain sense, comes down to the same thing as his cost of production. It is suggested therefore that basically Leo XIII's teaching about the "natural," "normal," "necessary" wage merely reiterates in a *different* form what the liberal school proposed. We shall confine ourselves to the following remarks on this matter:

1. The cost of production theory measures the value of a *commodity* according to what *it costs to turn out the good*, in other words, *genetically*. Leo XIII, on the other hand, measures the value of work *teleologically*. He, in fact, asks what the *natural* and the *natural law destiny* of labor is for the *subject* of labor. To be sure, there are certain teleological inferences in theories which make reference to the "natural" and the "necessary" wage. But it is not so much the human person - the worker - who is the end of that teleology, as it is production itself and its continuity. If the worker starves, if he does not cover the cost of production of his own capacity to work, and of the child who will

eventually replace him, then production will eventually cease. Thus, the "necessary" wage must first and foremost cover his subsistence. Nor does Leo XIII disregard the need to provide for continuity of production in wage determination; but he requires that it not be preserved at the expense of natural justice.

2. The Pope calls for a minimum wage for labor that is sufficient to provide a decent *human* existence for the *honest* and *thrifty* worker. Liberal theory, at least on the basis of its principles, has to be satisfied with a wage that is just sufficient to prevent the *extinction* of the working class.

3. Furthermore, the Encyclical recognizes a "*minimum iuris*" for the wage, which may not be violated for the sake of the greater profit of the employer, or because there happens to be an abundant supply of labor. Liberal economic theory, on the other hand, knows only an actual limit - a "*minimum facti*." And that *minimum facti* which is established in the interest of the continuance of production may be transgressed, since wages according to such theory, like commodity prices, are "competitive prices" or "market prices" resulting simply from demand and supply, on the basis of individual advantage and market power, not on the basis of justice.

5. The Principle of Satisfying Normal Wants and the Principle of Equivalence. In an allocution to French workers in 1891, Leo XIII said: "Overall justice requires that the wage be equal to the work that is performed." These words do not contradict what he said in the Encyclical. They provide clarification that is needed to deal with misinterpretations.

The *principle of satisfying normal wants* is important for the theory of income determination generally; and the Encyclical here applies it to the wage. Whoever works toward providing for the wants of the people in the economic process should, by doing so, be enabled to provide for his own wants. That principle applies to any activity. It is based on the *natural destiny of the human being's capacity to work*, and it applies to even the *humblest* kind of labor. He who employs the capacity of the human person to work fully for the entire day is obliged to pay him a wage which will enable him to support himself for the day. That is the absolute limit which may not be violated, even if there happens to be a greater supply of labor available at the time.

The power of the human being to work does not, however, have only

the *natural destiny* to acquire for the worker his subsistence for the application of that power to work, in other words, for his actual labor. It also has the *natural capacity* to do so. The wage is not some kind of gift by the employer, but repayment for the service rendered by labor. The general principle of equivalence, which is the controlling principle in all exchange transactions, also applies to wage determination; and it requires that *equal value* is to be paid for what is gotten, in return for what is given. Now it is not really necessary to speak of a *double* special principle for wage determination: a principle of covering normal human wants, and a principle of equivalence. Instead, equivalence remains the obvious requirement of the practical application of the principle of covering normal human wants. For if the performance of labor did not have a use value corresponding to the wage, then the prerequisite effective demand for such labor would be missing; and there would also be lacking for the national economy at large the need for, as well as the usefulness and purpose of, applying worthless labor in a kind of production for which there is ultimately no consumer demand.

The human ability to work retains the natural capacity to provide a livelihood, even when it does not succeed in doing so actually. The employer who, by his own ineptitude, uses labor in such a way that it does not come up to doing what it is capable of doing, would nevertheless be required to pay the kind of wage which labor is intended to provide. However, if labor is utilized properly in accordance with its natural purpose, and the employer pays a wage which does not provide for labor's livelihood, then he violates *commutative justice*. Finally, an industry which, even under normal circumstances is not in a position to pay wages corresponding to what wages are supposed to accomplish, is *lacking in economic justification*. This means that the requisite consumer demand is lacking, and such an industry no longer has a place in the pattern of satisfying normal human wants.

Effective demand for production leads to effective demand for labor and, in fact, for kinds of labor which are *qualitatively* distinct. For labor is not a homogeneous thing. There is great variety in labor in terms of its nature and circumstances. If complete justice requires that the wage is to be equal to the work performed, then the just wage has to take into account different degrees of value corresponding to different kinds of labor. We shall return to this question of variations in wages shortly.

It is important to note that the wage, being repayment for the value of the work performed, is not repayment for whatever value emanates

from the labor. It is repayment for labor, taken by itself, and not payment for the product resulting from the use of such labor. That product, in fact, becomes the property of the employer, whereas the wage repays the *effort* of the worker in its particular form, quantity, and circumstances.

Just as we designated the wage which arises from the natural destiny of the ability to work as the *absolute minimum wage*, it is also possible to speak of a *relative minimum wage*. It is the lowest, but still just wage for a particular kind or intensity of work (time- or piece-), in some particular industry. Justice in this case permits the same kind of tolerance as applies in exchange generally (*pretium summum, medium, infimum*) in measuring the value received in exchange.

The *absolute minimum wage* is based on the necessary character of labor; while the *relative minimum* is based on the *free* character of labor. The worker may not under normal circumstances pass up his right to a just wage when we are talking about the absolute minimum wage. He has greater freedom in deciding about the relative wage.

Who, then, has to decide about determination of the relative wage? Our reply is that it is up to those who are party to the wage contract, and who are involved in the worker-employer relationship. That means the employer and the workers; not the workers by themselves or the employers by themselves, but both groups together.⁵

6. The Assumption of Normal Conditions. What has been said about the just wage, and specifically also about the absolute lower level of the just wage, presupposes normal conditions.

1. This means, among other things, that we are talking about a worker who has a normally developed natural ability to work. Working ability which is lacking in that general natural type of development and capacity cannot come up to the requirements which the destiny of work implies. Such exceptional cases must therefore derive their livelihood from other subsidiary sources (e.g. welfare agencies, special provisions for the poor, charity).

Certainly, livelihood and necessary sustenance does not include any- and everything which a worker who is wasteful or given to various vices may find "necessary." It applies to a living standard which a *decent and thrifty person* requires.

Finally, the employer cannot be expected to pay the full wage if the

worker through his own fault does not fully perform the work which the contract calls for.

Thus, what we are stipulating *on the worker's side*, are normal ability to work, the normal performance of his work, and normal wants.

2. *On the part of the employer* what is assumed is: a) an overall state of affairs in the particular industry which places him in a position to actually pay such a wage without doing *positive harm to himself*. Note well, we are talking here about the *general* condition of the industry, not the specific situation of the *particular industrialist* at some particular point in time. If the employer has suffered losses due to his own poor performance or personal misfortune, that does not give him the right to unload such burden on the workers, either entirely or in part. He alone bears the risk, and this means that he is liable to whatever loss may occur, just as he is entitled also as whatever profit may result.

In abnormal circumstances, the worker is better off if he temporarily receives a lower wage than if he is without work and livelihood. Such a situation is more likely to occur in a weakened national economy, like the German economy at present (1923), than in an economy which is prosperous. Thus, economic prudence must also come into play in making wage demands.

However, if some particular industry is actually not in a position over the *long run* to afford a wage which is in accord with the value provided by labor's performance, that is, as we have indicated, a sign that the national economy no longer has need of this industry.

b) To repeat once again: determining the prices of commodities, and wage determination are not simply subject to the same "laws" as the liberal school taught. The *human, personal* character of providing labor services calls for its own particular consideration when a value is assigned to labor. The absolute minimum wage (livelihood) constitutes the lowest level, below which the wage may not drop under normal conditions. This does not mean that the influence of demand and supply and the use value which the work has for the employer are completely ruled out of consideration in determining wages. If the work involved had no use value at all, then the demand for such labor would also be lacking. Labor which has greater use value than other labor will, on the other hand, also be able to command a higher wage. Even the greatest supply of labor is no justification for going below the absolute minimum wage. But a *demand* which is greater than the *supply* does provide the grounds for demanding higher wages.

c) Even the absolute minimum wage, according to Leo XIII, should provide a "*decent*" livelihood, "*decent*" here means, in its most general sense, a normal subsistence which is *worthy of a human being* and in conformity with given time and place circumstances; and that means a decent human level of living. It does not mean, however, the particular level of living which the higher classes of workers are justifiably able to afford by virtue of their special aptitudes and services. That will be the basis for the wage inasmuch as the wage is supposed to cover the particular level of livelihood which conforms to the particular class of the worker in question; and it is to provide a proper return for labor of a particular kind in specific circumstances. All of this means that the wage will attain different levels for different classes of workers. The basis for the absolute minimum wage, on the other hand, is called for by human nature itself and the natural destiny of labor; so it applies to all human beings, providing for them a decent human livelihood. Regarding the determination of what constitutes a "decent human livelihood," we have to take into account the general condition of the culture and, therefore, also the general consensus about such matters in given time and place circumstances.

Nowadays in Germany, one often hears about sheer subsistence; but our workers should not forget that before the World War they had striven to achieve a *cultural minimum* even for unskilled workers. Hopefully that goal will once again move into the forefront of their discussions.

d) Just as we have to make the distinction between the "nominal wage" and the "real wage" when dealing with the determination of the level of wages in general, we must do so also in discussing the lowest permissible wage. The "nominal wage" is the wage expressed in money. The "real wage," on the other hand, takes into account what the wage will buy. It may be expressed in terms of a quantity of consumer goods which the worker can purchase with his wage.

It is clear, therefore, that only the real wage needs to be taken into account when we are talking about the economic condition of the worker. If, for example, in some country the prices of the necessary groceries become cheaper while nominal wages remain the same, then the real wage rises and the condition of the worker improves to that extent; and vice versa.

e) If the nature of some particular business is such that there are recurrent periods of unemployment - as in seasonal occupations, then the wage must nevertheless be sufficient to provide a livelihood for the

workers during such recurrent periods of unemployment, to the extent that other gainful employment is not available to the workers through no fault of their own.

f) The workers' needs which have to be provided for include such other costs, as *health care* and *provision for old age* when they can no longer work. Normally, the wage must therefore cover such needs, to the extent that they are not provided for by other means (insurance).

g) There may be various reasons for profit-sharing among workers. However, the wage contract as such does not in itself provide a *legal right* to claim a share of the profits.

If it happens that an employer who has already incorporated just wages into his wage agreement experiences *especially great profits*, he would be in a position to offer to his workers something over and above what was agreed upon; and that would be praiseworthy. However, in the absence of some special stipulation, this would at best constitute an exercise of *generosity* on his part; but he would not be under any strict legal obligation to do so.

7. Equal Pay for Equal Work? Is that not required in justice? Yet its practical application encounters all kinds of difficulties. How and on what basis is equal work determined; is it a merely quantitative, or also a qualitative determination; does it take into account simply the time worked or the intensity of the labor application; does it or does it not take into consideration differences in different operations, local material peculiarities? Can collective bargaining agreements, aside from all of that, require equal wages on the presumption of equal work over wide regions, e.g. for all of Germany? (Brauer)

In *Social Praxis* (XXX) Br. Georg proposed that instead of the old slogan, "Equal pay for equal work," we substitute a new motto which would have to read: "An equal level of living for equal work." The inescapable fact in our time is that the family man has a hard time making ends meet, while the young bachelor or single person may live very well and may even enjoy some vulgar excesses, as is evident from their level of consumption. That excess consumption of the young has, in fact, the effect of driving up further the prices which married workers have to pay; and it also harms the balance of payments because such profligate living often involves unneeded imports from abroad, etc. Thus, as a matter of fact, the suggestion that there should be an equal level of living for equal work has much to recommend it. It also takes

into account the particular talents of individual workers; and it does not remove the incentive from labor to seek greater remuneration by greater effort.

8. Wage Differentials. Anyone who proposes equal pay for equal work, to be consistent, would also have to support unequal wages for unequal work. Thus, we arrive at the need for wage *differentials* based on the *varied quality and differing circumstances* involved in work.

Given the more static technical conditions and the greater independence of each individual workshop, it must have been easier during the Middle Ages to remunerate each particular type of work according to performance. Today, rapid evolution brings constant shifts in technology. The individual shop is also more interdependent in its relationship to the rest of the economy. Therefore it is easier for wage patterns in one area to have an impact on those in other areas. In the large enterprises which work with great amounts of fixed capital (e.g. iron and steel mills), there is a diminishing dependence on a large number of highly skilled workers. Unskilled and semi-skilled workers could thus command a higher wage there, given the high demand for labor, than skilled workers in other sectors. That, in turn, has an effect on the entire wage pattern throughout the economy. Yet, in the machine age the often referred to tendency toward an equalization of the wages of all workers has its limits, inasmuch as labor of higher quality is still indispensable so that there have to be differentials which take quality into account. The effective demand for high-quality labor, which keeps manifesting itself in the overall requirements of economic production is also not determined entirely by the conditions and requirements of those large-scale enterprises which rely heavily on fixed capital. Therefore, it is not at all clear that circumstances in such industries will ultimately be decisive in arriving at wage differentials. As a matter of fact, even in large-scale industry there is also no lack of the requirement for quality labor of the kind which calls for workers with better training, greater efficiency, etc., inasmuch as it calls for greater precision and exactness. According to Kammerer, technological changes will create a need for even more skilled workers in the future. To operate complex machines you need intelligent, well-trained workers who will therefore also command high wages. The various hazards which go along with certain jobs as well as the level of responsibility involved also call for special consideration in setting wage levels. Purely routine types of work may

well decrease in the future, but a certain amount of it will probably also still be needed. Thus, wage differentials will also be called for in the future. Providing a proper reward for quality labor is eventually in the best interests of workers themselves and also of their ambitions and advancement. The equalization of wages - a "crude leveling process" - which is often praised in our time would be a mistake in the long run, so far as the economy and the workers are concerned, as it would contradict the requirements of good sense and justice.

An issue which is currently the subject of much controversy has to do with the so-called:

9. "Family Wage." The designation, "family wage," can be misleading inasmuch as the wage is not paid to the family of the worker but to the worker. However, that term at least brings to the forefront of the discussion this important question: whether the level of the wage must be sufficient to provide for the necessary support of the worker's family for the specified time period, or whether it is acceptable if the wage simply provides for the support of the single worker, in other words, if it is a personal or individual wage.

To be more specific, the advocates of the family wage insist that the wage must be sufficient for the man, and taking into account that the wife may make only a minimum contribution (since she has to devote most of her energy to the household), that it must provide for the support of both the man and his wife along with 3 or 4 children. That is the figure one works with, as an average, since we know from experience that about half of the children who are born die in infancy. If the wage exceeds that amount, so much the better.

In other words: the *limit* below which the wage may not drop in normal circumstances is measured by the *generally required* level of living of the *normal worker family*.

Teachers of Catholic social doctrine have always been agreed that the wage, by itself, has to be adequate to provide for the support of the family. There has been some disagreement, however, regarding whether this requirement stems from the contractual obligation of *commutative justice* (*iustitia commutativa*) or whether the so-called family wage is called for by the *common good*, so that it could be required by law or public mandate. German and Swiss authors (Walter, Biederlack, Lehmkuhl, Cathrein, Bech, etc.) have generally held that the family wage is required by contractual justice; whereas in France and Belgium

there was some support for the notion that the family wage is simply a requirement of the common good. Our own position in this controversial matter is based on the following considerations:

1. First of all, there can be no question but that the employer can, in given circumstances, be obligated by charity to also show concern for the welfare of the worker's family, especially if that family finds itself in need. For if it is a universal obligation that we provide for our neighbor in need according to our ability, then the employer, having due regard for the proper order of charity, ought to hasten to the support of his workers and their family members inasmuch as these are closer to him than other poor people.

Thus we may, as suggested, regard it as a matter of natural common decency that the employer, in particular when he is deriving great profit and advantage from the worker, ought to pay that worker a wage which is higher than the agreed wage so that it would also redound to the advantage of the family.

2. There cannot be the slightest doubt but that the family wage is one which is in accord with the *common good of society*.

The common good calls for the continuation of and the beneficent development of production. That, however, is inconceivable if the worker's family is not maintained in a sound condition - in other words one which allows for the proper education and training of working class youngsters. For that the family wages is a prerequisite.

The common good of political society overall is conditioned by the good of the families which comprise the state. Without the necessary means of subsistence, however, the workers cannot fulfill their obligations as heads of families. Thus, many will avoid marriage, and many others will misuse the married state; and the greater part of the nation's physical misery will, in fact, be reflected in the physical and moral distress which comes along with female and child labor.

Cardinal Manning says,

The normal condition of man in the natural order is one where each person is in possession of his own home, where he will live his life and fulfill his obligations while working according to his calling. If marriage were denied to the citizenry, as it is to those who serve as professional soldiers, then the face of the nation would be horribly contorted by all of the evils of a garrison state. Irresponsibility is a

characteristic that goes along with not having a home. Patriotism would be especially endangered in a country where there is no longer any prospect '*pro aris et focis*.' The domestic property of our ancestors was the best safeguard of their loyalty. The policy of law, i.e., its purpose and its spirit consists therein, that as few people as possible are without their own homes, and that home ownership among the citizens of the nation provides the broadest and most secure foundation for the community so far as its overall political and social survival is concerned.

From the point of view of the political welfare of the state and of the civil well-being of the community, we may, therefore, undoubtedly regard as most desirable a level of wages for the married worker which provides for the support of the worker's family and for the upbringing and education of his children. In fact, we may even say that such a wage is necessary. *Positive legislation*, as Kulemann says, is therefore even entitled to take up the family wage as a part of *labor law*. That is all the more so since the "*white death*," the decrease in the number of people caused by unnatural birth prevention, has also put in its appearance in the ranks of the working class. And, on the other hand, the health of a nation and its restoration are out of the question unless the family is re-established on a sound basis and its survival is assured.

Yet, the question remains whether, according to *natural law*, the employer is strictly *obligated in commutative justice* to pay the family wage.⁶

3. Is the family wage *normally* due as repayment for labor on the basis of *natural law*? We have to distinguish between work simply as active performance (*praestatio operis*), and work as "engaging the human capacity to work" (*labor*).

It is clear that in measuring the value of labor, insofar as we take into account simply the physical activity of the worker and the use value of this activity, there can be no question of a family wage. The family cannot expect that the repayment for labor must take into account the family as a matter of commutative justice, since the family does not participate in that labor.

However, if we consider labor as engaging the human ability to work along with its *natural purpose* (working out its livelihood) then the result is quite different.

One could say: whatever else may be the case, the married worker has

the natural obligation to provide for his family. However, the worker, taken by himself, does not have the obligation *to marry*. Therefore the obligation of the married worker to provide for his family is merely a *hypothetical* one, and it is conditioned by the free decision of the worker to marry. Thus, even though we are within our rights to require that the employer must normally pay a wage which assures the worker his livelihood, and although we may insist that such a wage represents an absolute minimum corresponding to the absolute and universal requirement of self-preservation, yet this does not at the same time seem to extend to where, from the point of view of the natural law, that minimum wage has to cover also the freely undertaken *hypothetical* obligations of the married worker toward his family. If we move in that direction, we may even reach the point where the employer also has to pay the worker's debts.

This approach does not seem to us to come to grips with the question before us, since it is too preoccupied with the *individual* worker.

In any case, it is true that the *individual* worker, as such, is free to remain celibate or to marry. Marriage is not an obligation incumbent on the individual, but it is an obligation incumbent on mankind as a whole. Since it is necessary for the survival of the human race, it does appear as a "*praeceptum legis naturae*" so far as the human race is concerned, and therefore, as a mandate which must be fulfilled also by the *vast majority* of the working population. The *exceptions* which some individuals constitute to the general rule will be very few. And the *natural purpose and destiny of man's capacity to work* has to be considered not in terms of these *few exceptions*, but in terms of the *vast majority*. Thus, it appears to be both *de iure* and *de facto* the natural and universal purpose of human working capacity, during the years of a man's working lifetime, to provide essentially for the normal needs of the normal family.

If this line of argumentation is correct, it would follow that the family wage expresses the limit, under normal circumstances, or the absolute lower limit of the just wage for the great majority of workers who are faced with the obligation to provide for a family. And those are precisely the years when the worker is ordinarily the most productive.⁷

The Encyclical *Rerum Novarum* does not provide us with a *direct* resolution of this controversial matter of the family wage. Nevertheless there does seem to be indirect support for the family wage as can be

determined from the following considerations:

First of all, the Pope taught: "No human law can abolish the natural and original right of marriage...."⁸ Thus, the employer too must acknowledge this right.

Beyond that, we find in the Encyclical: "It is a most sacred law of nature that a father should provide food and all necessities for those whom he has begotten...."⁹ Labor, however, is the natural means by which the father of the family fulfills that obligation. Therefore, providing for the support of the family has to be regarded as the natural purpose of labor. Thus, it is unnatural if, under normal circumstances, it does not fulfill that obligation.

Then, directly after the Pope invoked natural law, i.e., *commutative justice*, in support of a wage which provides for the livelihood of a thrifty and upright worker, he spoke of a wage that is "sufficient to enable him comfortably to support himself, his wife, and his children."¹⁰ This supports the assumption that the Pope, when he mentioned the support of a thrifty and upright worker just prior to that statement, also had in mind the "family wage."

Inasmuch as the Pope spoke out *against female and child labor*, he clearly had in mind a wage earned by the father which could provide for the family.

Finally, we have come to the conclusion - albeit in a somewhat contrived manner - when there is mention of the support of the "upright and thrifty worker" that in the *traditional language* of the academies and of the Roman Curia, this kind of wage refers to the "family wage."

Let us here refer to and update the Latin text of the Encyclical: "*Esto igitur ut opifex atque herus libere in idem placitum, ac nominatim in salarii modum consentiant: subest tamen semper aliquid ex iustitia naturali, idque libera paciscentium voluntate maius et antiquius, scilicet alendo opifici, frugi quidem et bene morato, haud imparem esse mercedem oportere.*"

The expression "*alere*" and "*alimentum*" according to the Roman manner of speaking, always takes into account the position and the particular situation of the one who is faced with the obligation to "*alere*." So when the Pope says that the wage should be sufficient to support the worker, "*alendo opifici*," he means the support of the *married* worker and his family. So the objection that, whereas actual responsibilities to support would have to take into account individual circumstances, the wage need not do so from the standpoint of strict

justice, is not valid, because family life is not some unique condition of an individual worker; it is rather to be regarded as the universal and natural condition of the vast majority of workers.¹¹

10. The Level of Living in Accordance with One's Station-in-Life as the General Principle of Wage Determination. Perhaps the objections which Joseph Biederlack raised against the position which we presented in *Ethik und Volkswirtschaft* can provide some clarification of the principle of wage determination.

Biederlack writes:

The point of view of the author regarding the just wage for labor seems to me novel and therefore significant. He is suggesting, in fact, that workers have to be paid according to the value of various kinds of labor service which they render. We have, he says, (p. 69) 'come to grips with how to measure managerial work according to its value.... Therefore, should it not be possible to assign a value to the work of those who simply perform work as directed by managers - work, which also differs in quality according to objective considerations?' To arrive at such a judgement, one would first have to decide on a relatively fixed lower limit of wages for the least skilled kind of labor; and this lower limit would represent one which affords a 'decent human level of living for a normal working class family.' Therefore it is a wage which one could designate as the absolute family wage. 'Such lower limit, however, would be measured according to the decent human level of daily subsistence of a normal working class family; and it would naturally represent the pay received for the least skilled kind of labor service which, nevertheless, calls for the total effort of the family's chief support for a full working day.' The just wage would therefore never fall below this lower limit; and it would more often rise above it on the basis of the value of the work performed. But how does one measure this value and therefore, the level of this wage? The author answers: (p. 69) 'It may well take a while longer before such a common evaluation of what various kinds of labor are worth will find expression in actual wage clauses which are found in labor agreements; and until such time, there may still be some conflicts and strikes to improve the workers' lot. Moreover,

these would be justified so long as they do not involve occupations which are essential for the common good, and where other means fail, provided that they occur within certain limits and avoid breach of contract, violence, etc. ' As the just price for commodities can only be determined on the basis of a general consensus among buyers and sellers, so the just wage can also be determined only by a general consensus among workers and employers. As opposed to this position, I find it hard to come to grips with the following objections:

1. As a practical matter, this approach will not work out, any more than it will for the just price, if it has to depend on agreement between buyers and sellers. The workers must know, and the Christian worker will want to know, what kind of wage demands they are permitted to make in good conscience without violating justice and charity. They operate on the basis of the correct position that there are norms which are independent of the agreement they have yet to make, on the basis of which they must determine the demands which they are to make in arriving at this agreement. For their part, the Christian employers find themselves in a similar position. That is how collective bargaining agreements come into existence. Both sides already take into account the Christian moral law when they formulate their demands; and they ask themselves whether their demands are in conformity with justice and charity. I would say that it is only the last penny that they are willing to leave up to the agreement itself. If one of the contracting parties does not succeed in this instance in achieving what he regards as the justified amount, he will come back to it at the next opportunity and incorporate it in his demands. - 2. In my opinion, the use value of the work performed cannot serve as the norm for the just wage. It can only signify the utility which the work has for him in whose service it is performed. On the basis of this utility, one is then supposed to determine the value which the work has for the worker, i.e., his wage. It is impossible to see why the person who, because of the particular advantageous position he may find himself in, can derive greater utility than some other employer from the labor performed for him, and should therefore pay the worker a higher wage. It is clear that in some cases where services are rendered, and where there is no question but that the payment

was just, that this does not take place. The surgeon who performs the same operation on two patients would be acting contrary to generally accepted norms of conduct if he charged a higher fee to the one patient in whose case the operation was highly successful so that he was restored to health, than to the other person in whose case the operation was less successful, on the grounds that the operation was more useful to the first person than to the second. The same would be true of a teacher who teaches two students, one of whom derives greater benefit from the instruction than the other. And that would apply to all other kinds of services also.

3. Therefore, I feel that the just wage for physical labor must be determined and paid in the same manner as in the case of services rendered to another person. There are all kinds of services about whose proper remuneration there is no scientific controversy or practical human difference of opinion. The physicians who applies his know-how in the service of the sick determines his fees in such a way that he achieves, not only for himself but also for his family, a level of living which conforms to his station-in- life allowing him to provide an education for his children in the kind of profession which corresponds to his own station-in-life. Thus, we can make the general observation that such professions command a higher income involving a longer and more costly period of training. Costs to oneself therefore justify a higher income. That is the case with physicians as well as lawyers, accountants, teachers and others. All will readily admit that state officials also have a right to the kind of salary which will enable them, with their families, to live according to their station-in- life, no more, no less. The same is true in all other cases also. It is only in the case of the class of laborers, i.e., those who work in the employ of others, and with regard to whom we speak of a labor problem and a wage problem that, because these workers were defenseless vis-à-vis the employers, economic liberalism saw fit to make an exception to the general rule, allowing their wage to be depressed below the generally accepted and common-sense level of the absolute family wage, and sometimes even below the individual subsistence wage. It would not be saying too much if we state that there would never have been the kind of a wage problem which afflicted the working class in all industrial countries, if the traditional

principle had been applied from the start to all workers in industrial and commercial enterprises, according to which any person who works for another has a right to a rate of pay that provides him and his family with a livelihood commensurate with his station-in-life. That, indeed is what the natural order of things calls for; and since this order is also what God wills, one may say that it is what God requires. Purely physical tasks also need to be performed, now and in the future. And the working class has to replace itself from generation to generation; but it could not do that if the workers do not earn a wage which provides adequate support for their families. Thus, that wage needs not be more than enough to enable him to go on reproducing his kind. There will be exceptional cases among the workers who, because they are more gifted or more ambitious, will be able to advance themselves to a higher class. There does not have to be the same possibility for the entire class of workers. It is enough that, in general, each worker who is willing to work with his hands can provide a decent human level of living for himself and for his family.

For our part, we do not want to abandon the equivalence principle in the matter of wage determination. Therefore, we have to insist that the *norm for the just wage* is the "*value of the service performed*."

Biederlack suggests that the term, "*value of the service performed*," can mean "*only the utility which the service brings to the person in whose service it was undertaken*." What does this "*utility*" mean? We stated many years ago that it is not work in the *passive* sense, i.e., that which is done - the product of labor - which pays the wage.¹² The product belongs to the entrepreneur as his property. *The gain which accrues to the employer from the product is traceable to other causes beside the service rendered to him by the worker.* As Mithoff says, the commodities put out by an enterprise and which determine its revenues are not simply the product of one worker, but of various workers. As a rule they involve various kinds of labor; and in firms where the employer is also actively involved, they contain the work of the employer. Moreover, they always represent also the product of capital. It is not possible to find a proper yardstick for determining how to divide the earnings between capital and labor, or even just for the division of the revenues from the various kinds of labor. Any loss which the employer suffers, will be his problem. If the process of

production, through no fault of the worker, e.g., because raw material is defective, etc. is not successfully accomplished, the worker will still be entitled to demand and receive his full wage. Thus, it is not the product or work in the passive sense, that which is turned out or produced, but work in the *active sense*, the *performance* of the worker, which gives rise to the wage.

Doesn't the use value of this activity enter into wage determination at all? The papal encyclical *On Labor* for good reason connects the natural destiny of labor to provide a decent livelihood for man with its natural capacity to provide such a livelihood. The wage is recompense for providing labor. Therefore one cannot require of an employer a wage which is higher than the value accruing to him from the labor rendered.

The employer need not harm himself; he need not pay an excessive wage which the business does not justify. This means that he does not unconditionally have to come up with a wage that covers the needs of workers who do not try to achieve the required level of performance.¹³

In this respect, we have said that the *principle of equivalence* applies also to wage determination, so that the wage too is determined according to the value of the work performed. This does not preclude that the wage at the same time assures the worker his livelihood according to the destiny of his capacity to work and of labor itself. An enterprise which has to survive by always paying starvation wages to avoid bankruptcy has no economic justification; and if it goes under, that will not constitute a loss for the national economy. Our approach, therefore, maintains that the just wage for labor must normally, at one and the same time, come up to the value of the labor performed and also to the natural destiny of the power to work (associating the level of living requirement with the value-of-labor wage theory). In general and under normal circumstances, the economic process will be in a position, by proper price formation, to come up with the correct standard of living for workers. The employer may never exploit the need of the workers by appealing to the "law of supply and demand" for his own advantage; nor may he, "for the sake of profit, contrive a market where he can pay the lowest possible wages or, in effect, establish a wage that provides for the livelihood of only the unmarried person." Out of humane considerations he must forego a higher profit, "even

though he is not forced to do so by market forces; and he is not justified in translating transitory market fluctuations into lower wages."

Since we require that the just wage must equal the value of the work performed, we are at the same time addressing the problem of *justice* in wage differentials.

The wage will be a just one only if it corresponds to the quantitative and qualitative circumstances attending the work performed. It must constitute full compensation for *all that the worker contributes to the effort and uses up or sacrifices*, which is to say, for performance of labor that is proportionate to what is required for the job, for the specified period of time, and which provides all of the special kinds of input called for by the particular kind of work of its very nature.

In other words: the wage must provide compensation at one and the same time for: a) the time, energy, and skill, and the particular kind of intelligence which the work in question calls for (duration, intensity, quality of the work); b) the various levels of training which the worker had to undergo, inasmuch as that plays a part in the work which he is doing; c) the responsibility connected with the work; d) the particular hazards which the job may involve for the life and health of the worker.

The precise quantitative measurement of the wage on the basis of those determining factors is not purely arbitrary, or one which is simply left to how people feel about the matter. It is, instead, something which is based on an objective *appraisal* of all factors involved. And such an appraisal, in turn, does not rest on the judgement of the individual worker or employer, but on the general appraisal by the *occupational groups* involved, in a particular *place* and at a particular *times*.

Can one apply the *principle of livelihood* also to the question of wage differentials as a determining principle? Without a doubt, which implies also that this principle is in substantial harmony with the *principle of equivalence*. Of course, the *principle of livelihood* has to be more carefully worked out with due regard for widespread misinterpretations. On the one hand, the idea of livelihood is a *very elastic concept*; and on the other hand the socialist doctrine, to the effect that the working class represents some kind of *homogeneous* mass, is out of touch with reality. What we have instead is a significant *differentiation* in labor services, which also leads to *varied levels of living*.

Within the aggregate of what are called labor services, various categories may be distinguished: there is the labor of the unskilled, the

semi-skilled, and the skilled workers, of craftsmen, foremen, master craftsmen, technicians, and clerical assistants. The services performed within each group have approximately the same value; and they are, to a certain extent, interchangeable quantities. Especially highly qualified types of labor are not so easily categorized into common groupings, since the quality of their services tend to be more individualized.

Performance also varies in day-labor and piece-work. Experienced diligent, and ambitious, conscientious workers who have been working at the same jobs for long periods of time, the types who comprise what is more or less the core of the work force in a particular shop, have a greater vested interest in it, so that they are more interested in performance than the young, inexperienced, and perhaps less responsible workers. One may certainly consider it as just if the latter do not get the same higher rates of pay that the workers with the most seniority earn.

Besides, the standard of living is not the same for all workers, because it varies according to tradition and custom; and it has a greater or lesser range of variation among the different groups. Thus, one may apply the concept of livelihood according to one's station-in-life also to those various groupings. "Status," therefore, does not refer so much to the particular occupational status, but to the broader social strata to which various occupational groups can associate themselves.

The principle of wage determination as regards wage differentials would thus be in accord with *the provision of livelihood*, but determined *on the basis of the service that is rendered*. Hermann Roesler has already formulated that principle, as it was presented above. It is a principle which suffices for both the requirements of ethics and economics. The ordinary unskilled, day laborer, who puts in full-time at his work in the employ of another, is entitled to a wage which enables him and his wife and children to enjoy a level of living in keeping with human dignity, and which spares his wife and children from work that is beyond their capacity. This lower limit for wages can be established at a relatively definite basis for particular times and places. It would constitute *the base of the wage pyramid*. From that base, as being a lower limit, wages would escalate for the various types of workers depending on the varieties of their labor services. Those who have the mission of determining the level of wages for particular groups are the parties to the wage contract. They have to come to an agreement about *what the value of their labor services is*, and about *a wage which corresponds to that value*. At this point the general and particular

factors involved in value determination which are to be found in economics are of importance. And here too, the truth of the proposition that what is morally correct cannot be economically wrong will be demonstrated. What is *economically correct* corresponds completely with *what is morally right*. The just wage alone assures the worker of what he has coming to him without doing harm to the employer.

11. High Wage - Low Cost Labor. A decent wage (real wage) is the first prerequisite for the well-being of that vast class of people who have to live off the work they do with their hands; and thus it is also the prerequisite for the welfare of all of society for the simple reason that society is made up mostly of such workers. A high level of wage, if that represents a continuous ongoing condition, can also be regarded as proof that society is in a prosperous condition, where all of the resources of its social structure are being applied and active in the best possible circumstances, at least so far as the material order is concerned. W. Roscher says, "Persistently high wages among developed nations stand out in the cause-and-effect relationship with the overall well-being of the whole of society."

It is therefore an economic issue of the greatest importance to determine what means can and must be applied to see to it that the highest *possible* level of wages can be realized.

This may give rise to the objection that if the norm of *justice* is brought to bear as a principle for determining the level of wages, *employers would find themselves overwhelmed by the burden*. There is no doubt but that, in the context of unrestrained free competition, the condition of particular employers would in certain cases become most difficult. However, in general, we have to accept it as a fact, proven by both science and experience, that, as a rule, *the highest wages bring with them the lowest cost labor*.

It is to Lujó Brentano's credit, as we have indicated elsewhere, that this truth has once again been brought to the light-of-day.¹⁴

While older writers, specifically Houghton, Petty, Temple, Child, and in their earlier writings also Josiah Tucker and Arthur Young, defended the position that higher wages are to be equated with lower productivity, the opposing view has constantly gained more and more support, even from economists whose wage theories we had to reject earlier for different reasons.

Regarding this matter we have already made reference to Adam

Regarding this matter we have already made reference to Adam Smith's position, using his own words. Benjamin Franklin, Anderson, and also Arthur Young were of the same opinion as Adam Smith. Two, in particular, who defended the proposition that low wages can in no way be equated with low-cost labor were McCulloch and N. W. Senior, "men who in a very real sense could be regarded as theorists who supported the interests of employers."

McCulloch said: "The experience in all ages and among all nations shows that the high wage is at the same time the best incentive for continuous and conscientious application, and it is the best means to get the people to support the institutional structures among which they live." In an old saying: "*Nihil laetius est populo Romano saturo;*" and the same is true also of Englishmen, Frenchmen, and, in fact, of all nations. Nassau William Senior expressed the same idea. And Michel Chevalier and others support this position.

Of the greatest significance is the opinion expressed recently by Lord Brassey who, like his father, ranked as a leading entrepreneur and employer. He undertook railroad construction projects in nearly all nations of the world. Though Lord Brassey publicly admitted that he was required by many and powerful forces to adopt the position of the employers in labor matters, yet his important and worldwide experience led him to come out in support of high wages.¹⁵

In all of the undertakings by his father in virtually every country in the civilized world and in every region of the world, the price of labor turned out to be the same, regardless of whether wages were high or low. For when wages were low, the performance level was also low. On the other hand, when wages were low along with the level of performance, performance improved as wages increased, so that the actual price of labor was cheaper after the wage increased than before. He was most vigorous in opposing the proposition which was put forth predictably whenever there were business recessions, that England's ability to compete was jeopardized by high wages. British exports were constantly on the increase; and, in fact, the greatest increases occurred in industries where wages were the highest. It is wrong to say that the price of labor is higher in England than on the Continent. Thus, for example, the Mülhausen printing shops got their printing materials mostly from England - proof that

despite the fact that higher wages were being paid in Manchester than in Alsace. The Hindus were the one exception: higher wages decreased their productivity.

It is impossible to touch on all of the interesting details and actual proofs which Brentano presented throughout his very informative work. However, the material we have presented is sufficient to prove that a nation's ability to compete in world markets is in no way threatened by wage increases which are economically feasible, any more than it is by reasonable reductions in the hours of labor, as employers are frequently inclined to believe.

But there is another circumstance which has to be brought to our attention, and it emphasizes especially the importance of decent wages.

Ways and means must be found in our time to elevate the social standing of workers, to *deproletarianize* them.

12. Aside from Their Personal Capacity to Work, the Workers Should Also Be Assured of Having Some Material Basis for Their Economic Livelihood. The way in which Leo XIII came to grips with this problem too, provides proof of his profound insight into the social problem.¹⁶

If the workman's wages be sufficient to enable him comfortably to support himself, his wife, and his children, he will find it easy, if he be a sensible man, to practice thrift, and he will not fail, by cutting down expenses, to put by some little savings and thus secure a modest source of income. Nature itself would urge him to this. We have seen that this great labor question cannot be solved save by assuming as a principle that private ownership must be held sacred and inviolable. The law, therefore, should favor ownership, and its policy should be to induce as many as possible of the people to become owners.

Many excellent results will follow from this; and, first of all, property will certainly become more equitably divided. For, the result of civil change and revolution has been to divide cities into two classes separated by a wide chasm. On the one side, there is the party which holds power because it holds wealth; which has in its grasp the whole of labor and trade; which manipulates for its own benefit and its own purposes all the sources of supply, and which is not without

influence even in the administration of the commonwealth. On the other side there is the needy and powerless multitude, sick and sore in spirit and ever ready for disturbance. If working people can be encouraged to look forward to obtaining a share in the land, the consequence will be that the gulf between vast wealth and sheer poverty will be bridged over, and the respective classes will be brought nearer to one another. A further consequence will result in the greater abundance of the fruits of the earth. Men always work harder and more readily when they work on that which belongs to them; nay, they learn to love the very soil that yields in response to the labor of their hands, not only food to eat, but an abundance of good things for themselves and those that are dear to them. That such a spirit of willing labor would add to the produce of the earth and to the wealth of the community is self-evident. And a third advantage would spring from this: men would cling to the country in which they were born, for no one would exchange his country for a foreign land if his own afforded him the means of living a decent and happy life.

The secretary of a body commissioned by the French National Assembly, the *Enquête parlementaire sur les conditions du travail en France*, offered similar reasons why workers ought to be enabled also to own property: "Property ownership turns the worker into a different person." The legislative *Enquete* introduced some very remarkable examples of this fact.

The indifferent, lazy, drunken worker, once he becomes a property owner, is turned into an ambitious, thrifty, sober, good family man. It is only on rare occasions then that he stops in the tavern; and, at the same time, he pays less attention to the utopian sermons and revolutionary agitation of those leaders who all too often are only interested in promoting their own welfare, which is why they exploit the weakness and the misery of the workers.

In recent times we have had the same experience here in Germany when people were settled on the land and become land-owners. (Vol. V, pp. 616-650)

¹ Cf. *Die sozialen Lehren des Freiherrn Karl v. Vogelsang*, by Wiard Klopp (1884) 369f.

² St. Thomas Aquinas also teaches that. (*S. Theol.* 1,2, q. 114,a.1): "*Id enim merces dicitur, quod alicui recompensatur pro retributione operis vel laboris, quasi quoddam pretium ipsius. Unde sicut reddere iustum pretium pro re accepta ab aliquo est actus iustitiae, ita etiam recompensare mercedem operis vel laboris est actus iustitiae. Iustitiae autem aequalitas quaedam est.*" Where that equality of value lies, and that it represents the equivalent value, St. Thomas explains in *Lib. 3 sent. dist. 33, q.3.a.4. quaest 6 ad 2*: "*Commutatio proprie est, quando ex mutuis operibus fit aliquid alicui debitum sicut ex hoc, quod unus laboravit in vinea alterius, alter constituitur ei debito in tanto, quantum valet labor eius; et in his dirigit commutativa iustitia; est enim in ea aequalitas commutationis, quia quantum unus dedit alteri, debet tantum ab eo recipere. Et propter hoc commutativa dicitur.*"

³ Fair-minded socialists have acknowledged the great importance of what the Pope had to say about the wage issue. Thus, the Swiss socialist leader, Hermann Greulich, told this author (while attending lectures on social issues in Lucerne) that the papal Encyclical is "a most important document."

⁴ Para. 43-45 in the Gilson edition of *The Church Speaks to the Modern World* (1954). All subsequent paragraph designations from *Rerum Novarum* are from that same translation of the Encyclical.

⁵ During the Middle Ages the wage was determined by custom and tradition. Today the market situation and business conditions play a great part. That is not contested in the papal Encyclical. In it, decisions about the piece-rate or the hourly rate, etc. are left to agreement between the occupational groups of workers and employer.

⁶ Non-German supporters of the family wage, understood in this sense, include, among others, Cardinal Manning: cf. *Christlich-soziale Blätter* XXV (1892) 481ff.; Steccanella, *Del comunismo* (1882) C. II, c.15, p.270f.; Liberatore, *Grundsätze der Volkswirtschaft*, 270ff, etc. See also the letter to the editor of the periodical *La Croix*, in Rheims (the organ of the *Cercles d'ouvriers catholiques*) in which Léon Harmel of Val des Bois speaks in favor of the family wage. Printed in the *Christlich-soziale Blätter* XXVI (1893) 629ff. Cf. also the two articles having the same title, *Le minimum de salaire* by S. Nicotra (1893) 22f., and by Arthur Verhaegen (1892) 25f.

⁷ Cardinal Manning says: "An employer who would hire single workers with the idea of paying them a lower wage would violate social justice and thus flirt with immoral and dangerous consequences." Cf. *Christlich-soziale Blätter* XXV (1892) 483.

⁸ Gilson edition, para. 12.

⁹ *Ibid.* para. 13.

¹⁰ *Ibid.* para. 46.

¹¹ That position is defended on the basis of how Cardinal Zigliara replied to the question of the Archbishop of Mecheln: whether an employer who pays a wage that is enough to support the worker but not his family does wrong. He responded that such an employer does not violate justice (which was, in any case, not an official teaching of Rome). As a matter of fact, the support of the worker, as expressed in the Encyclical, already implies, from what has been said (*alendo opifici*) the *normal* sustenance of the family. If something more is required for the family over and above such an amount, this could only arise from some extraordinary family needs, and the employer would not be required to cover that, at least in commutative justice. Cf. the letter of P. Eschbach of 19 August 1893, reproduced in *Christlich-soziale Blätter* XXVI (1893) 689ff. The first *Italian Congress of Social Sciences* at Genoa in 1892 adopted a number of resolutions which were proposed by Msgr. Nicotra, *Auditeur* of the Papal Nunciature in Brussels. These resolutions dealt with the wage question, and they called for "a wage that was sufficient to provide for the support of the sober and thrifty worker" in commutative justice, based on the Encyclical *Rerum Novarum*. The 3rd, 4th, and 5th Resolutions stated: "The Congress holds that the expression "sober and thrifty worker" means the worker in his normal situation as the head of a family, and all of the natural obligations that go along with that, so, in general, the just wage has to be a family wage. The Congress took the family wage to mean a wage sufficient to cover the ordinary needs of the worker's family, which includes, on the average, 2 or 3 children - or, depending on which country you are talking about, 4 or 5 children - allowing also for whatever income might be earned in a sober and thrifty family by the extra effort of the woman or the man. "By the words, 'in general,' the Congress wanted to stress the normal condition of work and industry which yield genuine profit. If that is lacking, and if the industry is in serious difficulty, then inadequate wages have to be supplemented by some kind of arrangements, meaning private or public welfare agencies or savings associations or simply charitable organizations." Printed in *Christlich-soziale Blätter* XXV (1892) 654ff.

¹² In "*Arbeiterwohl*" XV (1895) 81f.

¹³ Schröder in *Soziale Revue*, 1922, 593.

¹⁴ L. Brentano, *Über das Verhältnis von Arbeitslohn und Arbeitszeit zur Arbeitsleistung* (1893) 2.

¹⁵ Thomas Brassey, *Work and Wages* (1872); also *Lectures on the Labour Question* (1878); *Foreign Works and English Wages considered with Reference to the Depression of Trade* (1879).

¹⁶ *Rerum Novarum*, Gilson ed. para. 46–47.

Excerpt 8

INTEREST ON LOANS

Translator's Commentary. The treatment of interest and usury in the *Lehrbuch* (Vol. V, pp. 715-733) is distinctive and predictable. It is distinctive, because it reintroduces value judgement into a science which has become predominantly positivistic in shunning such judgements; and it is predictable, because in rejecting positivism Pesch followed instead the Aristotelian-Scholastic philosophical tradition. Thus he moved from the point where interest on money loans was virtually equated with usury for reasons intrinsic to the nature of money, to where it came to be accepted as normal when extrinsic conditions changed so that interest, in fact, a market rate of interest, could be viewed as acceptable.

Even before society experienced those altered extrinsic conditions, St. Thomas Aquinas, the leading Schoolman, indicated how loans of money involving loss to the lender, including extraordinary risk, could entitle the lenders to interest.

Once capitalism emerged with its highly organized markets for loanable funds, and with the increasing prevalence of the capital which was provided by such loanable funds, a case was made that the loss which St. Thomas described became standard for virtually anyone, either as direct loss (*damnum emergens*), or as the loss of a chance to earn income from the investment of available funds (*lucrum cessans*). Thus, what had been an occasional, individual thing in the pre-capitalistic era, became a generalized, almost universal extrinsic condition as capitalism

moved toward its full development.

Pesch expressed some reservations about that generalized, almost universal condition, even in the period of high capitalism. He offered instead his "theory of providing an economic service." According to it, the new situation which came with capitalism and organized capitalistic markets turned the loan of money into an economic service - the service of putting the borrower in a position where he could without great difficulty earn a profit with the borrowings. The Jesuit scholar felt that this "service" became common and general enough so that its availability could develop a general exchange-value, therefore, a market value. In this way he hoped to steer clear of the charge that his Church radically altered its position so as to compromise itself - an indictment which is not infrequently characterized as "Jesuitry!"

It is interesting that John Maynard Keynes, in whose economic schema interest rates played a pivotal role, experienced a reversal in his own thinking about interest and usury. He acknowledged candidly that he "was brought up to believe that the attitude of the Medieval Church to the rate of interest was inherently absurd, and that the subtle discussions aimed at distinguishing the return on money-loans from the return to active investment were merely jesuitical attempts to find a practical escape from a foolish theory." He confessed with equal candor and, one might add, not without some humility, that he "now read these discussions as an honest intellectual effort to keep separate what the classical theory has inextricably confused together, namely the rate of interest and the marginal efficiency of capital." (Cf. *General Theory of Employment, Interest, and Money* (pp. 351-252). Pesch, in fact, made a significant distinction in the *Lehrbuch* between interest paid for capital (*Kapitalzins*), and interest paid on loans (*Darlehenszins*). The former he treated under entrepreneurial income; the latter, under pure rental income. Keynes' view on this matter appears to corroborate the opinion of another great, decidedly non-Keynesian economist, Joseph Schumpeter, "that the scholastic doctors - in this respect much superior to nine-tenths of the interest analysts of the nineteenth century - saw the real logical problem involved....This is why they should be credited with having launched the theory of interest." (*History of Economic Analysis* p. 105)

The expression "rent" is used in various ways, as we have seen.

Thus, the excess of income over cost, and also a particular kind of agricultural income is called "rent." We speak of "rent" to signify the extra return which arises from the special advantageous qualities of certain kinds of soil or businesses, etc. Periodically recurring amounts of money on the basis of some legal claims are also called "rents" (e.g. rents from accident insurance, annual rents based on land ownership). In particular, though, the word *rent* is used to describe *income that involves no work and which is based on ownership* of certain kinds of wealth, or on legal claims. We call such income *pure rental income*. We encounter it especially in the form of interest on loans, and also as rental or contractual income. Let us begin with interest on loans.

1. The Concept. The loan is a credit transaction, whereby consumable or fungible goods are transferred to another party in return for a promise to return in the future an equal quantity of the same kind of goods.

A loan can be a *loan-in-kind* or a *money loan*. We will deal here only with the money loan, since this type is the only one that has widespread significance in our time.

Along with the granting of a loan, there is usually a claim by the lender to a particular return for extending the loaned object on credit, namely, *interest on the loan*.¹

It is well known how *canon law* opposed the taking of interest on a loan during the Middle Ages.

Even now, when leading economists like Adolf Wagner, Schmoller, and Sombart have come to a correct understanding of this ban on interest-taking, there are still at large widespread prejudices which viewed the canonical ban on interest as an unreasonable restriction.

Any objective appraisal will certainly show that such a ban actually was justified beyond a doubt for that time on the basis of juridical and social reasons. We will examine these reasons more closely, because the whole borrower-lender operation will then be intelligible in terms of the principle of remuneration according to the value of the service rendered.

Franz Schaub says,²

"In the Carolingian era, interest-taking was not condemned so much in terms of justice, as in terms of *greed* and *lack of charity*. The underlying reason why there was less stress on justice in the Carolingian era may have been....equivalence

based on use-value (equality of use-values). Now this was, in fact, more a requirement of natural and Christian fair play rather than of strict justice. In later times the picture changed when, with commercial exchange becoming far more common, the notion of *commutative justice* moved into the foreground and was of far greater importance, and where it was applied to the equivalence of exchange values in lending transactions."

2. The Concept of a Lending Contract in Canonical Theory. The loan is a transfer of something that can be reckoned according to weight, number, or size, to another person, in such a form that the item immediately becomes the property of the other party, in return for an obligation to return at some later time a thing of the same kind and quality.

1. It is the *transfer of a thing (traditio rei)*. The loan takes the form of a *real contract*, which may have been preceded by promise, but which is actually concluded only on actual transfer of the thing. The extrinsic basis for it is the way in which commerce and law have always viewed it. Thus, in Roman law the loan was the first of the four indicated kinds of real contracts. An intrinsic basis for the loan stems from the purpose of the loan. In and of itself the object of the loan is for the purpose of use; and the ability to use it presupposes possession of the thing. Finally, there could be no real obligation to repay something before it had been turned over to and received by another party.

2. The loan is a transfer of something that can be *measured* in terms of *weight, numbers, or size*. Things which are calculated in commerce on an individualized basis cannot be the object of a loan contract, e.g., an acre of land, a house, etc. Instead, objects of lending contracts are solely the kinds which can be replaced by others of the same kind and type in an exchange transaction on the basis of their specific or generic similarity (*res fungibiles*). From this fungibility the conclusion necessarily follows that in the exchange of such a thing it is clear that we are concerned first and foremost with quantity (measure, number, weight) and only secondarily with quality. In actual practice, the fungibility of loan objects has come to be understood in such a manner that the object of an actual loan transaction could only be a thing which is consumed when it is first used (*res primo usu consumptibiles*), irregardless of whether the consumption is a natural using-up of the

thing, where it is physically destroyed, e.g., the use of food, or whether it is only a *civilis consumptio*, by expenditure, e.g., of a sum of money. There is a forgone conclusion from what we have said, if the object of the loan became the object of the contract precisely as an *unproductive* thing. What is consumed the first time it is used so that it ceases to exist physically or morally can therefore, of itself, not directly serve the purposes of productivity.

3. The loan *transfers the ownership of the loaned object* directly to the debtor, so that it is an actual *alienation of the thing*. That is the immediate purpose of the contract. A fungible good, one which is consumed the first time it is used, is thus transferred in such a way that its actual use and consumption are surrendered to the debtor. Therefore, how can the creditor claim and assert his ownership of such a thing? Note well, we are only saying that it is essential for the debtor to have the right to use something up; whether he actually makes use of that right is of no consequence for the contract, any more than the various ways in which he can use it. Whether he sells or drinks the wine he borrows is his own business. The purpose for which the object is transferred is the decisive distinguishing characteristic between loans and other standard kinds of real contracts. The purpose of the safe-deposit (*depositum*) is to preserve something; and the purpose of the loan (*commodatum*) is the use (without consumption) of an object; and the purpose of a pledge (*pignus*) is to obtain a right to claim something. The distinction in purpose, therefore, determines the distinction in the legal consequence of the transfer, which in a loan constitutes ownership, and in other real contracts constitutes only possession.

The transfer of ownership of the object of the loan is the real reason why the Middle Ages did not want to recognize that once a sum of money had been transferred in a loan transaction, one could share in the gain which the other party might make with the money. That is because, as they viewed it, no one who sells an egg could legally lay claim to the cake which results. If the proceeds of a loan became the property of the borrower, it is clear that the creditor has no further claim to what results from what is now someone else's property or work. This *juridically incontestable doctrine about the transfer of ownership* to a debtor explains and underlies the canonical ban on interest. The earliest opponents of the canonical ban on interest also understood this full well. The humanist, Joachim Camerarius, for example, in order to justify interest on capital, felt the need to deny the transfer of ownership

of the sum of money loaned to the debtor. Only the use, according to him, is transferred to the debtor; and for this use, a price can be charged just as is the case for the use of a house or of an animal.

As opposed to the transfer of ownership concept, we could argue that the creditor adds the debts to his assets, while the borrower adds them to his liabilities. Thus, there would not seem to be any real transfer of values, and without a transfer of values there is no transfer of ownership. It is not hard to resolve this objection. For, the accounting transaction, whereby we take a sum owed to us and list it among our assets, by no means implies that we necessarily have a material right to those same *individual* items and to their *concrete* value, which we have transferred to the debtor. No creditor has a right *to the thing itself* (*ius in re*), meaning any particular thing owned by the debtor, but only a right to a thing (*ius ad rem similem iusdem speciei et qualitatis*) [transl. the right to a thing which is similar in kind and in quality], in other words, a *personal* right to claim something, against the debtor. Also in the various forms in which claims are expressed in present-day society that uses credit to so great an extent: checks, shares of stock, bonds, deposit certificates, banknotes, etc., the value of the claim which is in a certain sense identified with the piece of paper is essentially relative, meaning that it is nothing but an expectation, the prospect of getting the concrete value of a future service.

Moreover, the following component of the definition of the loan contract presented above should also serve to reinforce what we are saying.

4. The debtor undertakes the *obligation to return a thing which is of the same kind and which has the same quality*.

First of all, he assumes the obligation to pay back a thing which is of *the same value*, otherwise we would be dealing not with a loan, but with what is at least partially a gift.

The object of what is given in return is a thing of the *same kind and quality*. Thus it is possible, first of all, to give back an individual, numerically different thing than what was received in the first place. For if the purpose of the thing is to be consumed, then naturally the thing which is no longer in existence after it is consumed cannot be returned. The thing which is returned must still be of the same species or kind. The creditor not only turns over a representative, consumable good; but that representative consumable something is transferred to the debtor along with the consequence of the transfer and the right to

consume it. By virtue of the contract, the creditor expects repayment and, in fact, repayment of the same kind of thing. If he were to ask for money instead of grain which was loaned out, then we are no longer talking about a loan, but about a purchase; and if he asks for another commodity than what was loaned out, e.g., grain for oil, then you would have an exchange transaction, not a loan.

The object that is returned must be not only of the same kind, but of the same degree of worth. In every contract where a thing is given for a thing, and where the party does not intend to present a gift, in other words, in every contract where some kind of exchange is involved, justice calls for equivalent value between what is given and what is gotten in return. This equality (*aequalitas permutationis*) fulfills, as indicated above, the law of justice in an exchange transaction. That is usually a question of quantity, when we are dealing with fungible things; it means equality in size, weight, or number. Now the less specific qualities and properties can be present to different degrees in different units of the same kind of thing; and that difference can therefore mean a difference in the intrinsic worth of the object in question. The calculable value of fungible things is therefore determined by their quality; and just like the repayment of an equal quantity (of a "*tantundem*"), the return of a like quality (of a "*tantundem eiusdem qualitatis*"), is also a requirement of equal justice, because that is necessary in order to preserve the "*aequalitas permutationis*." Only the equality of value between what is provided and what is paid in return will satisfy the *principle of equivalence* that is constantly defended by Scholastic doctrine.

But now we have to point out the difference which exists when we are dealing with money and other kinds of goods in a loan transaction. Where objects other than money are involved, the natural quality of the goods, their intrinsic value, was considered. For example, when someone loaned a bushel of grain to another, he received a bushel of grain of equal quality in return, even if the market price of this grain may have risen or fallen. With money, however, so far as domestic exchange was concerned, only the extrinsic, official, nominal value of the money was taken into account.

There is still one other factor to be considered in the definition of a loan.

5. The debtor is only obligated to repay the loan after a certain time has elapsed. That is implicit in the very purpose of a loan. It is

supposed to provide the debtor with something for his use and consumption. This means that he must be given time to use and consume it. To demand immediate repayment of the same or of an equivalent thing would make the whole loan contract illusory. Thus the loan is rightly called a bilateral contract (*contractus bilateralis*), a contract binding on two parties. The creditor is obligated to not demand repayment before the time that is to be, or has been, specified; the debtor, on the other hand, is obligated to repay at the designated time.

It is not difficult to explain the canonical ban on interest on the basis of this concept of a loan.

3. The Impermissibility of Interest in Canonical Theory. "*Usura*," *usury in interest payment*, meant any *profit* which the creditor demanded on the *loan*, and, in fact, *by virtue of the loan owed by the borrower*.³

It was a kind of profit, i.e., something that could be measured in monetary terms, whether it was in actual money or in the form of a service, an obligation, etc.

It was *profit made on the loan*; thus not deriving from another contract, e.g., a social contract, a rental contract, etc.

It was profit made *on the strength of the loan*; thus not by virtue of a title that was extrinsic to the loan, e.g. compensation for loss, for some special risk, etc.

It was profit which a debtor was required to pay because of the fact of the loan itself. Accordingly, if the loan was merely the occasion prompting the debtor to give the creditor something of his own free will, and not to fulfill a strict obligation, but to show his gratitude for a favor, that could not be interpreted in any way at all as the usury which is being condemned here.

Interest, however, that was demanded on the basis of the loan itself was considered to be *usury*. But why?

Claims and debts in a just exchange transaction appear in the form of an equation. The equal sign which signifies equal value here may never be made fraudulent. Where it departs from the truth is where usury begins. The creditor should get back what he has given or sacrificed, and the debtor should not have to pay more than he received, or than the sacrifice he imposed on the creditor.

The lender gave up 100. If he asks for 110 back, he is asking for more than he has coming. He enriches himself at the expense of

someone else's property, and that is usury, an open-faced violation of the "*aequalitas permutationis*." The presentation of St. Thomas Aquinas⁴ is typical on this matter. It is against justice to sell the same thing twice, or to sell something which I do not own. One who charges interest does one or the other. He either receives usurious interest for the object he is lending, or for its use. In the first instance, he sells the same thing twice, or, in other words, he gets double the price for the object loaned: the repayment of the capital and also the interest. In the second case, he charges a price for something the value of which, of and by itself, cannot be estimated. The use of a thing which is destroyed in its use, disappears, or is consumed, has no value apart from the value of the thing itself. We are always presupposing here that we are dealing with the loan of fungible and, in fact, consumable goods; and that furthermore there is a real contractual transfer of the ownership of these goods. Thus, the loan could not, by itself, be a profitable operation. This principle, however, in no way prevents the extraction of extra compensation in individual cases on the basis of particular entitlements. That is so precisely because the right to indemnity for an actual loss that is measurable in money terms is just as much a requirement of commutative justice, as is the equation of what is given and what is gotten in an exchange transaction. Thus, it would be erroneous to see in the introduction of titles to interest a departure from the earlier position - a kind of concession to the emerging capitalist era - when actually it constitutes a logical and consistent development and application of commutative justice to a situation of increasing commercial activity, and to one of the great laws of exchange.

4. Titles to Interest. 1. *Premium for Risk* (*periculum sortis*). St. Thomas had already developed its basic justification. "*Res quae extra periculum possidentur iusdem speciei, plus aestimantur, quam eadem in periculo existentes.*"⁵ Danger reduces the value of the endangered article. Accordingly, the premium for risk takes on the character of compensation, of a *usura compensatoria*, which was fully recognized by the canonists, at the same time as the *usura lucratoria* from the loan as such, was generally condemned.

What kind of danger had to be involved here, so that it served to diminish the value of the sum that was loaned, and therefore entitled the lender to indemnity?⁶ It had to be a real and an extraordinary danger. First of all, it had to involve more than the normal risk which all goods

are subject to, like the risk of being destroyed by the elements, or of being damaged or pilfered out of human malice, so long as the transfer of money to the debtor did not increase these and similar common hazards in any special way. Aside from this, it was not enough to have the kind of risk that is peculiar to any loan of money.

If a sum of money is turned over for safe-keeping in a sealed purse to another person, the owner trusts in the honesty of the other party; and in doing so, the fate of the recipient's wealth can be a matter of indifference to him. For, even if the former is impoverished, one can still find the sealed purse in his possession and reclaim it for the owner. Not so if the same sum has been given over as a loan, because in that case, if the honest recipient becomes insolvent, the money is lost to the one who transferred it to him. The higher risk which the giver takes on in the case of a loan, independent of the honesty of the recipient, is based on the fact that the lender has surrendered ownership of the money in return for the right to reclaim it.⁷

However, this extra risk is peculiar to the loan of money, as opposed to risk in other types of agreements, as in the case of the *depositum*, the *commodatum*, etc.; and it remains within the limits of the "*periculum commune et ordinarium*." It is intrinsic to a loan, and it is an inevitable danger which is by no means sufficient to establish any special claim based on *periculum sortis*. Alphonsus Ligouri even claims in this case that the danger must be not only "*verum*" and "*extraordinarium*," but even a *periculum probabiliter imminens*."⁸ Then and only then can it be said of the money which is loaned that it loses in value, and that the creditor suffers a loss the moment the money is loaned. It was in the nature of things that this title to interest could arise especially in loans made for trading ventures in those times.

Another title to interest, in fact one of the greatest practical importance, is the claim to:

2. *Replacement of one's interest*, of "*id quod interest*."⁹ If the creditor suffered a loss, or lost what he could have gained, he could request indemnity.

At least the "*titulus damni emergentis*," the claim to indemnification for loss, was beyond question according to Alphonsus Ligouri; but as regards the "*titulus lucri cessantis*" there was not always the same

unanimity. The *damnum emergens* is in fact the loss of some real value which the lender now has in his possession, and which is definitely establishable and capable of being appraised. The *lucrum cessans*, being the object of the surrender of a chance to make a profit, generally represents future value which is in a certain respect conditional as to its actual realization. In other words it still appears as uncertain, as anything in the future contains an element of uncertainty, given the human condition. All in all, the title, *lucrum cessans*, was nevertheless pretty generally accepted. But what were the prerequisites?

What is required is that by the loan itself, the lender is deprived of an actual, not an imagined, chance for using his money for an objective possibility that would bring him gain. Only the consideration of a concrete and definite venture for which the creditor could use precisely this money that he now lends to the debtor justifies a recompense for the gain which is sacrificed. If the creditor had other money available for the prospective transaction, then he would have had no claim to be reimbursed. An eventual loss would then be traceable not so much to the circumstances surrounding the loan as to the deliberate willingness of the creditor not to make use of the other available money. The extent to which the title, *lucrum cessans*, presupposes a specific actual transaction that is at least to some degree measurable and determinate, was also clear inasmuch as there was the requirement that the full amount of the prospective gain was not to be claimed as interest. Instead, allowance had to be made, *iuxta aestimationem spei et periculi et deductis expensis*, and according to well-founded opinion, also for a return for one's own labor that might have been involved to realize the forgone return. That is the *titulus lucri cessantis*, according to the moralists and canonists of old.

The last title to interest:

3. *Interest on arrears, penalty for non-fulfillment*, do not offer any basic difficulty. Penalty for non-payment, in Scholastic theory in any case, is at least not a method of remuneration whose justification and limits can be established on the basis of some *aequalitas permutationis*. It is instead merely a moderate contractually determined penalty for significant failures on the part of the debtor to meet his obligations within the time period agreed upon. The contractual penalty is essentially punitive, and it is to be regarded as such. Thus, when there is no basis for suspicion, either because of deception or negligence, such a contractual penalty ought not even be resorted to.

The *poena conventionalis* constitutes a case of usurious conditions inserted into repayment obligations the moment it is required with the intention of profiting, rather than to fortify the contract and obligation. Otherwise you would have an unjustified and unfounded enrichment of the creditor. Such an intention is presumed to be present if the creditor deliberately sets the terms in such a way that the debtor cannot possibly comply, and therefore becomes subject to the punitive conditions through no fault of his own.

5. The Position of the Church Later On. In pastoral practice, those who take modest interest nowadays need not feel concerned, in the light of the *penitentiary instructions*. The new *Codex Iuris Canonici* (Can. 1543) goes further. There we find: "*In praestatione rei fungibilis non est per se illicitum de lucro legali pacisci, nisi constet ipsum esse immoderatum, aut etiam de lucro maiore, si iustus ac proportionatus titulus suffragetur.*"

There were those who attributed the easing of the Church's position to a concession to the sad state of affairs which came about with capitalism, or to the hardness of men's hearts. The theologian would have some genuine reservations about such a position. The divine moral law remains ever the same and unchangeable; and the Church, according to Catholic teaching, is its true guardian through the ages. She does not demand the highest degree of perfection, and she is merciful and forbearing with those who fall; but she has never and nowhere excused violations of the moral law as such; and she has forbidden tampering with it. If in our time a moderate rate of interest were objectively and *per se* a violation of *iustitia commutativa*, in other words, illicit and unnatural stealing from the debtor, then the Church would by such a new approach be looking the other way while great numbers of those who live in the capitalist era carry on this practice. She would also be tolerating a crime of the most abominable kind, usury, which is contrary to the natural law, intrinsically evil, and reprehensible conduct on the part of wide circles of human society, including her own religious institutions. The good faith of the ones who take interest, to the degree that one could speak of good faith here, would excuse them; but that would in no way justify the Church's conduct; and in any case, the alleged appearance that she is providing moral justification for usury would not be disposed of.¹⁰

To gain a proper understanding of modern ecclesiastical practice, the

Catholic must therefore move in a different direction.

What was the deepest underlying reason for the canonical ban on interest-taking?

The Church's teaching on interest was that taking interest on loans was a basic violation of commutative justice. The kind of interest which runs contrary to the *aequalitas permutationis*, she perceived as contrary to the positive Divine law, and also as opposed to the natural law. Now if it is possible to demonstrate that moderate interest in modern conditions does not violate the *aequalitas permutationis*, then we will have proven that interest nowadays does not conflict with the Church's ban on usury, but that it is instead in full conformity with the ecclesiastical teaching on interest. The proof will become the more convincing, however, if we can show that interest in our time, even though it is permitted, does not have its basis in the contract as such, but in extrinsic circumstances. In fact, it can rightly be present in every loan, even though it does not, in fact, derive from a circumstance that is intrinsically related to the loan contract itself.

Two facts lead to a profound difference between the medieval and subsequent economic circumstances: 1) The uncommon and more significant expansion of production and commerce, whereby enormous sums of money are absorbed by the growing enterprises. 2) The situation where everyone who has the necessary funds at his disposal could actively participate in commercial life to his own advantage.

As a consequence of all of that, money became the most sought after and cherished commodity. He who has money can do everything or, in any case, any number of things: he can start enterprises, hire workers, go into production for himself, or become a participant in any number of kinds of commercial ventures, corporations, productive partnerships, etc., all of which present opportunities for making profit.

May we perhaps already be permitted to arrive directly at the conclusion that anyone who makes a loan under such conditions provides the debtor with the *possibility* of making profit - a possibility which is beyond any doubt measurable in monetary terms? Thus, he would have a just claim to interest as recompense for the economic service he afforded to the creditor, which can be expressed in terms of money. However, this conclusion would be a bit premature. The mere fact that there is an opportunity of the debtor to turn a profit which can be expressed in monetary terms does not yet mean that it is also measurable in monetary terms so far as the creditor is concerned, so that

he can therefore charge for it as if it were his service to the lender. The amount of the loan is, in fact, as we indicated earlier, transferred to the ownership of the debtor, so that the creditor has no claim to the profit earned with this money by the debtor. "He who has given away the garden, no longer has a right to harvest crops in it." Thus, it would be improper if we concluded from the mere fact of a loan providing someone with the opportunity for engaging in a lucrative productive venture, etc., that it also involves some service by the creditor, although it happens because of the debtor.

Even in the medieval era there were already productive loans, so that in given situations the creditors were placed in the position where they could engage in productive activities. However, this opportunity remained confined to limited personal business circles involving a relatively small number of persons, as compared with the subsequent economic era, and it also amounted to a smaller portion of the total amount of lending activity. Thus, it was conditioned by the individual situation of such persons, and it did not take on the nature of an opportunity which prevailed generally and which applied to all lending activities. Therefore, it could not extend beyond limits set by individual use-value. Only after productive investment became the dominant use for peoples' stock of money, specifically of sums of money that were committed to lending activity, not only in the limited circles of a few cities but in the economy overall, was there a gradual shift from purely individual use-value to generalized exchange-value. Now extending a loan was no longer merely the offer of a sum of money which was to remain in the debtor's hands for a specified period of time. Instead, there was a particular kind of credit instrument which could itself be appraised in monetary terms, and which arose not merely from individual arrangements, but which owed its standard nature to the general situation of production which now prevailed on all sides, etc. This widespread situation also extended to the creditor, insofar as a kind of regular gain associated with his own performance could be designated as the result of his own activity. At the same time, it remained merely a condition for the realization of that result in each individual case where one or the other particular debtor knew how to use the money profitably, or where he was a producer who could produce successfully. With that, however, the necessary objective preconditions were fulfilled, so that the mere extension of credit generally could be designated as the cause of such a particular outcome.

The real possibility of making a profit was created by the mere availability of larger amounts of money capital. That availability was accomplished or provided directly by the act of providing credit on the part of creditors. Thus, the creditor also provided the possibility of making profit, which was associated *per se* with that availability in these new circumstances according to the ancient principle: "*Causa causae est causa causati.*"

So now, if the objective bases for recognizing that enlarged measurable importance of lending activities are once present, then the recognition of the special measurable importance of lending activity could not be long in coming, in the judgement and in the estimation of the human beings engaged in economic activity. Interest was now included among the services which deserved *just remuneration*.

This approach, which we first developed and presented in the *Innsbruck Zeitschrift für katholische Theologie*, came to be called the "Theory of Economic Performance or Service." We accept the designation and recognize accordingly - *salvo meliore iudicio* - interest in this modern era as the recompense for a service whose value is measurable, i.e., in terms of the opportunity to make a profit by being provided with a sum of money.

What advantages does this theory offer us?

1. It resolves, in a simple manner, the apparent contradiction between ancient church law and present-day ecclesiastical practice. Interest required merely by the fact of a loan being extended was regarded as usury because it involved a violation of *commutative justice*. In modern economic conditions interest, of course, appears as *reimbursement* for a particular kind of service whose value can be calculated in monetary terms; and it is a service which can be identified with the loan on the basis of those extrinsic economic conditions.

2. The *theory of economic performance or service rendered* is distinguished in an advantageous manner from the other theories which are designed to justify interest, and specifically interest on loans of money. We shall mention here only the leading ones.

a) The *use theory*, defended by Say, Knies, and Menger, among others, regards interest as a return for the transfer of the utility of money capital. However, this concept contradicts the nature of the loan contract, because according to that nature, the ownership of the amount of money which is loaned, and not just the use of it, is transferred to the debtor.

b) The *productivity theory* ascribes to money a particular kind of productivity in modern conditions. In our opinion this is wrong. As a means of exchange and a measure of value, money is certainly not productive in a direct manner. The fact that money affords to its possessor the chance to make profit is not due to any quality of the *money* itself, or to productivity that is due to the *money* itself, but to an *expansion of capitalistic production*. Defenders of the productivity theory are Scipio Maffei, Mastrofini, Cardinal de la Luzerne, also Lauderdale, Carey, Walker, Rossi, Garnier, Molinari, Cauwès, Leroy-Beaulieu, Fischer, v. Thünen, etc.

c) The *theory of interesse* sees interest as recompense for gain that is lost; and in fact, it is said that *everyone* in our time is entitled to make use of the title to interest as a return for *lucrum cessans*, inasmuch as *everyone* under present-day circumstances can earn profit with his money. This theory can be reconciled with our own, at least insofar as appears on the surface. But its *juridical* formulation may still present certain difficulties. As soon as there is talk of recompense for *loss* or *loss of an opportunity for gain*, the *individual* factor moves into the foreground. For example, if there is to be an appraisal of the damage or loss of earnings caused by a flood, one could not impose a *general reimbursement* for all who suffered some loss. Instead, we would have to estimate what each *individual* lost or failed to earn because of the flood. There is no *market price* to cover reimbursement of personal loss. Interest in our time, however, emerges in the form of a generalized price.

d) Böhm-Bawerk perceives the legal title to interest in the difference in value between present and future goods. One exchanges present goods for future ones, and since the former have more value than the latter, more must be added to the future goods in repayment for the present ones.

However, the mere time differential by itself does not cause a difference in value. There must be added the possibility of earning a profit in the intervening time period. The theory of Böhm-Bawerk is therefore incomplete. It has to be supplemented by one of the other theories so as to explain *why* money in the present has more value than money in the future.

e) C. Rodbertus, A. Schäffle, and Adolf Wagner regard the capitalists as caretakers in society so far as accumulating and safeguarding the national productive fund. By collecting interest they receive a wage for

their service to the whole community. This approach does rest more or less on the premise of state socialism, to the effect that owners of property as such represent a kind of officialdom which has to administer a part of the national wealth in the public interest. One may very well stress the duties of ownership without appealing to the notion of an official overlordship.

f) Senior, Bastiat, Courcelle-Seneuil, McCulloch, among others, see "profit on capital" also for the lender as a wage for "the labor of saving" involved in accumulating loanable money capital, or as the reward for abstaining from direct, personal want-satisfaction - as the so-called "*wage for abstinence*." Such titles to interest were meant to explain the general justification for interest on loans in every economic era. Actually, what debtor would have felt the need to reimburse the creditor for getting rich? He pays his interest for the advantage which accrues to him, irregardless of whether the capitalist came into possession of his money by personal thrift, inheritance, or fraud. The second view already comes closer to the truth. In case the creditor, by the act of granting a loan, is in fact making a *sacrifice that is measurable in monetary terms*, he is without a doubt entitled to an equivalent return. Even this sacrifice, however, would have to be examined in terms of whether it represents the universal case, and as to its general applicability. We have already referred to the deadly scorn with which Lassalle opposed those theories. Roscher too noted, regarding this matter: "In an age of Nabobism and Pauperism, where one class is able to save enormous amounts without the slightest real sacrifice, while others could not do so even with the greatest sacrifice, it is understandable why the socialists despise the expression, "reward for abstinence."

g) Some authors believed that the right to interest could be justified on the basis that some loans are productive (loans for productive purposes), while in the case of consumer loans (loans for acquiring consumer goods) interest was not justified. For determining the *justice* of an exchange contract, what is decisive is not the purpose of the exchange but only whether it conforms to the *law of equivalence*. If in loans nowadays a moderate interest rate corresponding to the market price or a legally set rate is allowed, then, so far as justice is concerned, that would apply also to the consumer loan. Charity might require, however, that the lender take into account the poverty or misfortune of the borrower and then waive the interest.

Thus, there appear to be many bases for the *theory of economic*

performance or service rendered in the question of interest on loans. Yet from the theological viewpoint, the profound reservation has to be expressed: that in this approach the "*mutuum ratione sui*" brings entitlement to interest, something which the canonists of old rejected. "*Videant consules !*"

6. The Level of Interest Payment. Inasmuch as the price of lending comes to be expressed as a *market price*, it is determined first of all according to the same general principles which determine the prices of other material goods and service. Thus, it is determined on the basis of the quantity of money that is available and offered for lending, the level of demand for such money, the amount of profit that can normally be made by borrowing such money, the general appraisal of what loans are worth, which in turn depends on the condition of the economy and the level at which it currently operates.

However, when we deal with loanable funds, certain other factors enter in to determine the level of interest rates. These include all of what we discussed earlier under the heading of special titles to interest, like the personal sacrifice of the lender, the replacement of what is lost by him, the premium for risk, the conditions for making credit available and making it safe, etc.

At the same time, we are entitled to sort out loans into certain categories, according to whether the interest remains the same for longer or shorter periods, and according to whether fluctuations may also occur in a reasonably predictable fashion. The two most important categories which need to be considered here are: 1) *long-term loans backed by dependable security* (mortgage backing, the liability of large, easily manageable businesses with great amounts of capital). This would include state and local government securities, debenture bonds, securities of banks, large industrial and commercial enterprises. 2. *short-term loans on personal credit*, or against *pawn pledges*. These would include bills of exchange, loans backed by collateral, loans on current account, book credit, deposit credit, etc. In this category the interest rate for discounted loans, the discount rate of the central bank, would be the determining factor.

The legally set interest rates which most countries adopted after the ban on interest-taking was done away with have almost never gained approval in the economic literature. And if these rates were strictly enforced they hampered the lending business to the disadvantage of the

national economy. However, when they were not strictly enforced, they were easily evaded. If the legally set rates were made to conform to the average typical interest rates that were being charged in the country, then there were always so many special cases that exceptions had to be made, and eventually the official rates became meaningless. "Yet, Roscher says, "the complete abolition of usury laws has not always proven to be advantageous in all cases; and the state ought to take heed lest by blind reaction it does not end up putting its judges in a position where they have to enforce contracts which are clearly immoral and shocking."

We have already offered a general definition of usury elsewhere, along with Schaub, as *any contractual appropriation of what is flagrantly obvious surplus value*." Usurious interest is just one kind of usury. Back when interest-taking was forbidden, all interest on loans, as we discussed earlier, was considered usury unless there was some special title to interest. In times of officially fixed interest rates, interest over and above the official rates was regarded as usury, if there were not extenuating circumstances. Where official rates do not exist, interest which goes beyond the customary rates for particular classes of loans would be regarded as usury unless there are clear-cut reasons for exceptions in some special cases.

Violation of equivalence, of *iustitia stricta commutativa*, constitutes, in general, the usury element even today yet in bilateral contracts. The exploitation of some special case of need, on the other hand, is simply the ugly shell, the aggravating condition, the qualification, which adds to the injustice of usury the especially heinous violation of charity. No other condition of need is required for usury than the one that is common to all humankind, to be in need of a helping-hand under certain conditions; and no other compulsion is essential aside from the actual or alleged binding power of the concluded contract. That is how usury has been interpreted over the centuries, and, in our opinion, there is no cause today either to see the crime solely in the exploitation of someone else's need for one's own profit. The fact that modern penal codes have altered the meaning of punishable usury more or less to mean exploitation of someone's need, is no excuse for the economist and moralist to abandon the traditional concept. Criminal law has, by resort to such specific circumstances, sought a more firm foundation for its new usury laws, in the absence of officially fixed interest rates.

We have seen how interest on loans, the derivation of interest from

lending as such, has been justified by the way in which the economy has developed historically. With the transition to new structures and conditions the problem of the justification of interest may come up for renewed discussion.

¹ According to Hainisch (*Die Entstehung des Kapitalzinses* [1907]), cattle is the prototype of capital (*Caput*=head of cattle), and the calf, the fruit of cattle-capital, is the prototype of interest. The oldest interest rate in Babylon and Egypt was 33 1/3%, as today the calf is still estimated as one third the value of a cow, etc.

² *Der Kampf gegen den Zinswucher, ungerechten Preis und unlauteren Handel im Mittelalter* (1905) 60.

³ On this matter, see the Benedict XIV Encyclical, *Vix Pervenit*, addressed to the bishops of Italy, 1 November 1745: "*Peccati genus illud, quod usura vocatur, quodque in contractu mutui propriam suam sedem et locum habet, in eo est repositum, quod quis est ipsomet mutuo (quod suapte natura tantundem dumtaxat reddi postulat, quantum receptum est) plus sibi reddi velit, quam est receptum ideoque ultra sortem lucrum aliquod, ipsius ratione mutui, sibi deberi contendat.*" In this encyclical of Benedict XIV, the extrinsic titles to interest are also introduced (see above). In a Bull, "*Inter multiplices*," addressed to the fifth session of the Fifth Lateran Council by Leo X on May 4, 1515, we find the following definition of usury derived from scholastic teaching: "*Ea propria est usurarum interpretatio, quando videlicet ex usu rei, quae non germinat, nullo labore, nullo sumptu nullove periculo lucrum foetusque conquire studetur.*"

⁴ *S. theol.* 2,2,q. 78, a. 1.

⁵ *Ibid.* opusc. 75,c.6.

⁶ *S. Alphons. lib.* 3, *tr.* 5, n. 764.

⁷ v. Savigny, *System des römischen Rechts* V 514.

⁸ *Lib.* 3, *tr.* 5, n. 764 (8).

⁹ *S. Alphons. lib.* 3, *tr.* 5, n. 768ff.

¹⁰ According to Gury-Ballerini (*Comp. theol. mor. I, n.864 A.*), the Roman decisions (*non sunt inquietandi*) do not add up to a mere toleration, but they are a genuine justification. Joseph Landner (*Das kirchliche Zinsverbot und seine Bedeutung* [1918]) feels that the ancient ecclesiastical ban on interest taking is still in full force today. The Church has merely explained that individuals ought not to be upset about matters pertaining to interest-taking; however, they must be prepared to submit to a decision that may eventually be handed down by the Holy See. "*Dummodo sint parati stare mandatis S. Sedis,*" is what the Roman responses state in reply to questions posed about the matter of interest. We may not assume from that reference to an eventual future determination, that the old usury laws are still in force in unaltered form. A clear determination has furthermore been made by Canon 1543 of the *Codex Iuris Canonici*. The lender, as we have mentioned, was thereby allowed to stipulate a moderate rate of interest. We concur with Cathrein, when he said that the *lucrum legale* ought to be understood as meaning that *law* here does not mean the same as law in the strict and proper sense of the word, but also the established practice, or the *communis aestimatio hominum* regarding the level of a just rate of interest. "It is clear that this provision of the book of Canon Law goes beyond the Encyclical of Benedict XIV, since it authorizes agreement on a moderate rate of interest. In fact it establishes also a greater profit or interest than the generally recognized one (the market price of the loan), if there is a just and appropriate title to it. A. Vermeersch says rightly (*Summa novi iuris* [1918] n. 603.) that by Canon 1543 the taking of moderate interest payment is, in a sense, canonized." (Cathrein in *Stimmen der Zeit* XCVII [1919] 149ff.; also by Cathrein, *Moralphilosophie* II, 366ff.).

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